



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

Weekly Market Brief
Week Ending December 4th, 2020

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil private sector economy improved for the third consecutive month in November as new business and output reached the highest levels since January. PMI rose to 54.7 in November compared to 51 in October, where the 50-point mark separates growth from contraction. Employment levels rose for the first time since the beginning of the pandemic and business confidence strengthened in the wake of positive vaccine news and growing demand.
- OPEC+ agreed to raise oil supply by 500,000 barrels per day (bpd) starting January 1. The deal represents a 75 percent reduction of the planned output raise (2 million bpd) from the group's initial agreement in April. The agreement reduces the total production cuts from 7.5 million bpd to 7.2 million bpd, the latter representing roughly 7 percent of global demand. The OPEC+ alliance agreed to hold monthly ministerial meetings to assess market conditions and decide on adjustments starting in January.
- Saudi seaborne crude exports during November are provisionally assessed at 6.1 million bpd compared to 6.3 million bpd during October, according to Refinitiv Oil Research. Weekly volumes to the major Asian importers were lower except for India, while the U.S. received 1 million bbl of Saudi crude. Following the OPEC+ deal, Saudi Aramco raised its January prices on Asia deliveries by \$0.8/bbl while lowering prices to the U.S. by \$0.3/bbl.
- The value of awarded construction contracts in Saudi Arabia during Q3 declined to SAR7.4 billion (\$2 billion) according to USSBC's [Quarterly CAI report](#). The ongoing pandemic continues to put pressure on government and private sector construction activity. Transportation, power, and real estate were the top sectors by value. The total value of contracts through Q3 YTD reached SAR63.6 billion (\$17 billion).
- The Saudi government closed the November issuance of its riyal-denominated sukuk program with a size of SAR795 million (\$212 million). The latest sukuk issuance was divided into two fixed-profit rate tranches, according to the Ministry of Finance. The first tranche was sized at SAR200 million (\$53 million) and matures in 2027 while the



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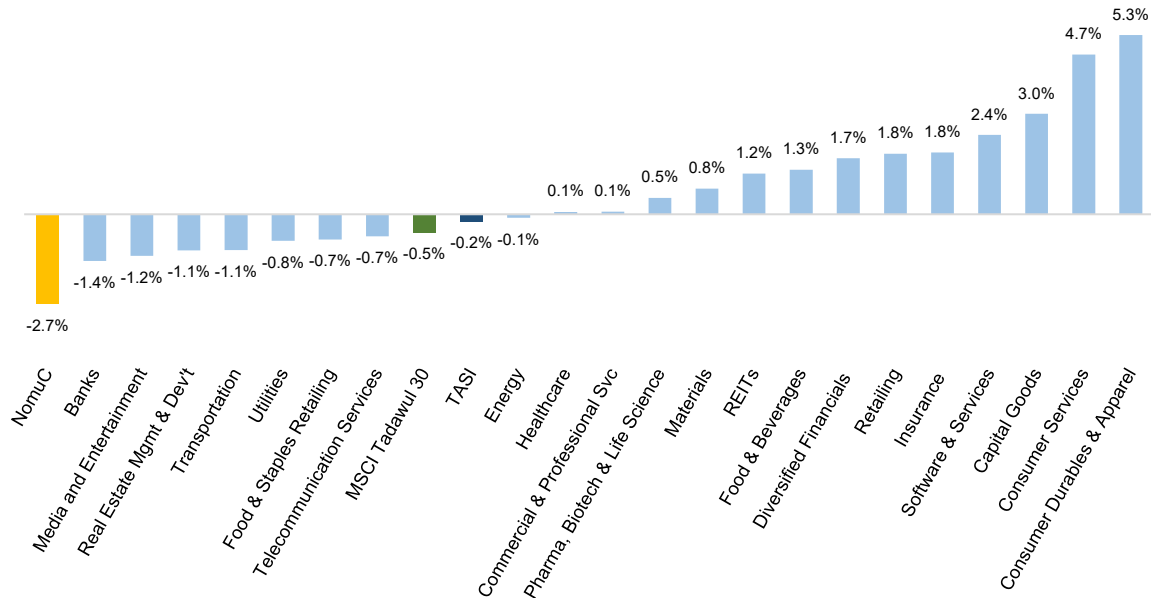
second tranche was sized at SAR595 million (\$159 million) maturing in 2030. Total bids for both tranches amounted to SAR5.9 billion (\$1.6 billion).

- The Saudi Central Bank (SAMA) extended the deferred payment program to support the private sector until the end of Q1 2021. Launched in March at the onset of the pandemic, the deferred payment program was previously extended for three months last September.

Tadawul

The TASI fell 0.2 percent this week to reach 8,674 points. 'Consumer Durables & Apparel' led with a 5.3 percent gain followed by 'Consumer Services' and 'Capital Goods' which grew 4.7 percent and 3 percent, respectively. 'Banks' declined 1.4 percent and the NomuC parallel market index fell 2.7 percent. The MSCI Tadawul 30 declined 0.5 percent and finished the week at 1,154 points.

Tadawul Weekly Index Performance - December 4, 2020



Source: Tadawul, USSBC

Al-Samaani Factory for Metal Industries Co. will transfer its shares from the Nomu parallel market to the main market.



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The Capital Market Authority (CMA) approved a new policy to deregulate commissions made from the buying and selling of listed equities by market institutions. The terms of commissions will be decided only by market institutions and their clients, effective January 3.

Investment and Trade

- Delaware-based Pacific Green Technologies signed a joint venture agreement with Saudi-based Amkest Group to incorporate a new company in Saudi Arabia for the deployment of Pacific Green's environmental technologies, including solar power, desalination, and battery energy storage systems.
- The U.S. State Department approved a possible SAR1.3 billion (\$350 million) deal to continue providing security support services to the Kingdom of Saudi Arabia. The proposed agreement would see the U.S. Military Training Mission continue its current train, advise, and assist relationship with the Saudi Arabian Armed Forces.
- Saudi Arabia's Public Investment Fund (PIF) is reportedly seeking a dollar-denominated revolving loan of up to SAR26 billion (\$7 billion) to be used for "opportunistic investments." The loan would mark the third time PIF has tapped international banks since 2018.
- AMC Cinemas opened its sixth movie theater in Saudi Arabia at Azizia Plaza in southern Riyadh. Saudi Cinema Company, a joint venture of AMC Cinemas and PIF-owned Saudi Entertainment Ventures, is leading AMC's expansion in the Kingdom. Saudi Arabia aims to establish 50 cinemas in the Kingdom by 2030 as part of a plan to improve entertainment offerings.
- Venture capital investment into Saudi startups totaled SAR91 million (\$24.3 million) during Q3, according to a report from the Saudi Venture Capital and Private Equity Association. Top startup sectors were fintech, e-commerce, and health tech with an average deal size of SAR5.3 million (\$1.4 million).
- Saudi Pharmaceutical Industries and Medical Appliances Corp. (SPIMACO) signed an agreement with German biopharmaceutical company CureVac to supply and distribute a COVID-19 vaccine. The mRNA shot dubbed CVnCoV will be submitted for approvals from the Ministry of Health and the Saudi Food and Drug Authority (SFDA) before distribution.
- Foreign investors will now be allowed to sit as directors on the boards of Saudi chambers of commerce, according to the Ministry of Commerce. The new regulations also allow for more than one chamber of commerce to be established in the same region.



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- The Red Sea Development Company (TRSDC) signed a construction and design contract with AlKifah Contracting Co. for 40 residential buildings at the workers accommodation at the Red Sea project. The staff accommodation will reportedly host 14,000 employees who are expected to work on phase 1 construction launching Q4 2022.

Banking

Weekly money supply M1, M2, and M3 rose 0.7 percent, 1.2 percent, and 1.5 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy added 245,000 new jobs in November, marking a sharp slowdown in hiring. Jobs in leisure and hospitality registered the smallest gain since January (+31,000) while retail employment declined by 35,000 despite holiday season hiring. Transportation and warehousing was the only major section to see a marked increase in hiring, adding 145,000 new jobs.
- U.S. exports grew 2.2 percent while imports grew 2.1 percent, modestly increasing the U.S. trade balance in October to a \$63.1 billion deficit. Export growth was broad-based as both industrial supplies and capital goods posted solid gains. Consumer goods imports reached nearly 2 percent above pre-pandemic February levels. However, exports remain 13 percent below pre-virus levels.
- The U.S. service sector remained in expansion territory in November but the pace of growth has slowed. The ISM index fell to 55.9 from 56.2 in October. Despite new business restrictions, hiring continued to improve. Supplier delivery times rose despite a decline in new orders, a mixed signal for supply chains and in-person service providers as case counts remain high.
- Initial jobless claims for the week ending November 28 declined by 75,000 to reach 712,000 after two weeks of increases. The downward trend in the four-week average of claims continues to slow as COVID cases rise across the country. Continuing claims, which tracks Americans receiving unemployment benefits, declined to 5.5 million during the week ending November 21.



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Fixed Income

The yield on the ten-year U.S. Treasury increased this week to 0.97 percent. The benchmark rate has remained below 1 percent since March.

Equity Markets

The Dow Jones Industrial Average rose 1 percent and finished at 30,218 points. The S&P 500 gained 1.7 percent and finished at 3,699 points while the NASDAQ rose 2.1 percent and closed at 12,464 points. During the month of November, the Dow Jones rose 11 percent, the S&P rose 9.9 percent and the NASDAQ rose 10.8 percent with each index setting new all-time highs.

GLOBAL MARKETS

- Arab light crude rose 2.8 percent last week and closed at \$48.38 per barrel. Global benchmark Brent crude gained 1.8 percent and finished the week at \$49.25 while West Texas Intermediate (WTI) rose 1.2 percent and closed the week at \$46.26. Oil prices posted their fifth consecutive weekly rise ahead of an expected OPEC+ supply cut extension, positive coronavirus vaccine news, and renewed hopes for a bipartisan U.S. stimulus deal. Over the weekend, OPEC+ agreed to reduce production cuts by 500,000 bpd to a 7.2 million bpd total cut through March. The U.S. added five oil rigs last week, bringing the total (246) to its highest level since May.
- The recovery of China's service sector continued into its sixth consecutive month in October, according to the closely watched Caixin/Markit industry survey. Services PMI rose to 56.8 in October from September's 54.8. Hiring rose to its highest level in a year but overseas demand slipped. Service activity was primarily driven by domestic demand as most of China's key export markets deal with a new wave of COVID-19 infections.
- Egypt's PMI fell to 50.9 in November from 51.4 in October, indicating a slower expansion of the non-oil economy. Output and new business has softened since the start of the fourth quarter. Firms reported a strong increase in sales overall, but export volumes slowed amid stricter lockdowns in some European markets. Assessments of future output fell to the lowest mark in the series' history as concerns mounted that COVID-19 could significantly weaken business activity again in coming months.

THE WEEK AHEAD

- U.S. releases inflation figures for November on December 10
- U.S. releases weekly jobless claims through December 5 on December 10



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- Saudi Arabia releases consumer and producer prices for November on December 15