



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

Weekly Market Brief
Week Ending October 29, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's net foreign assets grew by 3.8 percent YoY (+2.5 percent MoM) to SAR1.68 trillion (\$448 billion) in September. Central bank assets increased by 1 percent MoM to SAR1.89 trillion (\$504 billion) with bank deposits abroad surging by 16.1 percent to SAR306.5 billion (\$82 billion). The Kingdom's net foreign assets reached the highest level since late 2020.
- Claims on the private sector in Saudi Arabia inched up by 1.5 percent MoM, the fastest since June. Private lending reached SAR1.986 trillion (\$530 billion) in September, according to SAMA. Banks' total assets rose to SAR 3.151 trillion (\$840 billion). Banks operating in Saudi reported a 35 percent rise in aggregate net profits, reaching SAR5.93 billion (\$1.6 billion) in September.
- Saudi Arabia reported a budget surplus of SAR6.7 billion (\$1.8 billion) in Q3, the first quarterly surplus in more than two years. Revenues totaled SAR243.4 billion (\$64.9 billion), of which 61 percent was from oil while 39 percent was from non-oil revenues. Government spending totaled SAR236.7 billion (\$63.1 billion) with employee compensation and capital expenditures (CAPEX) hitting the highest levels so far this year.

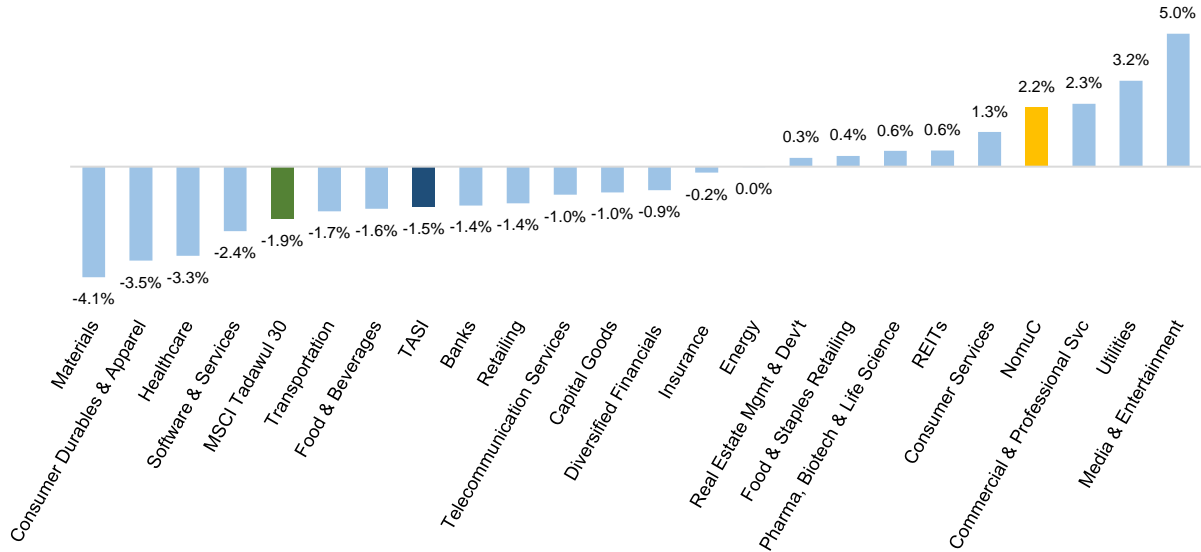
Tadawul

The TASI fell 1.5 percent from a 15-year high last week and closed at 11,759 points. 'Media & Entertainment' led all sectors with a 5 percent gain, followed by 'Utilities' and 'Commercial & Professional Services,' which rose 3.2 percent and 2.3 percent, respectively. 'Materials' posted the biggest loss, dropping 4.1 percent. The NomuC parallel market index rose 2.2 percent while the MSCI Tadawul 30 index lost 1.9 percent to close the week at 1,618 points.



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Tadawul Weekly Index Performance - October 29, 2021



Source: Tadawul, USSBC

- Saudi Aramco posted the strongest quarterly earnings since its December 2019 IPO with Q3 net profit more than doubling on an annual basis. Rising global energy demand drove Aramco's net income to SAR114 billion (\$30.4 billion) in Q3. The company also hit its dividend target of SAR70.5 billion (\$18.8 billion).
- Saudi Arabia's Securities Depository Center (Edaa), a subsidiary of Tadawul Group, signed an agreement with Euroclear Bank that would allow foreign investors access to the sukuk and bond market via the Saudi exchange. Officials also signed agreements with BNP Paribas, Citigroup, Goldman Sachs, and JP Morgan Chase to explore appointing the foreign banks as primary dealers in local government securities.
- Saudi Industrial Investment Group (SIIG) signed a binding merger agreement with National Petrochemical Co. ("Petrochem") under which SIIG will acquire all shares issued by Petrochem in accordance with Capital Market Authority (CMA) rules.



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Business, Trade, & Investment

- Saudi Aramco signed five agreements with the following companies at the Kingdom's Future Investment Initiative (FII) last week:
 - Modern Industrial Investment Holding Group and Intercontinental Energy – agreement to develop a green hydrogen and ammonia project in Saudi Arabia
 - South Pole Carbon Asset Management Ltd., Yousef Abdulrahman alDhabyan Agricultural Est. – agreements for research and development of nature-based solutions to reduce greenhouse gas emissions
 - BFG International – agreement to localize manufacturing of advanced nonmetallic building materials
 - ABB Group – agreement to localize digital technologies in the oil and gas sector, build local capacity in process automation tech
- Saudi Arabia officially launched the Middle East Green Initiative with an aim to invest SAR39 billion (\$10.4 billion) to reduce carbon emissions in the region; support the establishment of a regional carbon capture and storage center, a regional early storm warning center, a regional cloud seeding program, and regional center for sustainable fisheries; and create a cooperation platform to implement circular carbon economy concepts.
- Saudi Arabia pledged to reach net-zero greenhouse gas emissions by 2060 at the Kingdom's first Saudi Green Initiative Forum, joining G20 nations in setting a net-zero target ahead of the COP26 Summit.
- Saudi Arabia partnered with BlackRock to launch the National Infrastructure Fund (NIF) which will support up to SAR200 billion (\$53 billion) in projects over the next decade, according to the Saudi Press Agency (SPA). NIF will invest in areas such as water, transportation, energy, and health.
- Citigroup will reportedly pursue a banking license in Saudi Arabia to further boost its business in the Kingdom, expanding into trade finance and treasury solutions. Citi received a capital markets license in 2017 after exiting the Saudi market for more than a decade.
- U.S. technology company Oracle was signed as the first tenant of NEOM's hyperscale data center. Oracle launched its first cloud region in Saudi Arabia in 2020 and will open its second cloud region in partnership with NEOM Tech & Digital Holding Company and EzdiTek at the gigaproject site.



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- NEOM Tech & Digital Holding Company signed a SAR750 million (\$200 million) joint venture agreement with OneWeb for access to the group's low earth orbit satellite constellation for high-speed connectivity in NEOM. OneWeb is the second largest satellite operator in the world.
- U.S. pharmaceutical firm Eli Lilly ("Lilly") signed an agreement with AJA Pharma, a subsidiary of Saudi Chemical Company Holding, to locally manufacture Lilly's insulin portfolio. The U.S. firm also stated it is basing clinical trials in Saudi Arabia and has opened a regional headquarters in Riyadh.
- U.S. firm Energy Recovery announced contract awards totaling SAR81 million (\$22 million) for the supply of its pressure exchanger recovery devices to Saudi Arabia. The devices reduce the energy consumption of seawater reverse osmosis desalination processes.
- The Royal Commission for Al Ula (RCU) signed a long-term strategic partnership with a French consortium of Egis, Assystem, and Setec at FII to oversee the delivery and operation of infrastructure works at the Al Ula megaproject.
- Amaala reportedly cancelled a design-build-operate tender for a 130-kilometer water supply system to transmit desalinated water from NEOM to Amaala. The project is estimated to be worth in excess of SAR2.3 billion (\$600 million).
- Dr. Sulaiman al-Habib Medical Services Group awarded a SAR311 million (\$83 million) contract to United Standards Company for its al-Muhammadiyah hospital project in Jeddah. The 150-bed hospital will offer 40 medical and surgical specialties and is expected to open in 2022.
- Saudi Aramco awarded Japan's JGC Corporation the main contract to build a dew-point control system at the Abqaiq natural gas liquids plant in the Eastern Province. The contract is estimated to be worth up to SAR1.9 billion (\$500 million).
- Safari was awarded a five-year facilities management contract for the King Fahd Causeway connecting Saudi Arabia with Bahrain. The local firm will be responsible for operational maintenance, including inspection works on both sides of the causeway.



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- The World Travel & Tourism Council (WTTC) announced at FII that the WTTC 2022 Global Summit will be held in Riyadh. The Kingdom has prioritized its tourism sector in recent years as a key pillar for economic diversification under Vision 2030.

Banking

Weekly money supply M1 and M2 rose 0.8 percent and 0.1 percent, respectively, while M3 declined 0.7 percent during the week ending October 21.

On a year-to-date basis, M1, M2, and M3 have risen 3.3 percent, 2.6 percent, and 5.3 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- New home sales surged 14 percent in September, the strongest since March. Despite the brief lull in home sales last month, demand remains strong. Lumber prices have come down substantially over the past few months. Low inventories remain an issue as much of the gains in inventory have come from listed homes that have not yet started.
- Durable goods orders fell 0.4 percent due to weaker aircraft orders compared to last month. Excluding transportation, orders picked up for the seventh consecutive month. Supply chain challenges provided a mixed picture for durable goods with orders for machinery and metals increasing, but orders for computers and electronics decreasing.
- The U.S. economy grew 2 percent YoY in Q3, marking a slowdown in the expansion posted in the first half of the year. Supply chain constraints were evident in industry-level data as consumer prices rose to a 31-year high at the end of Q3. Real personal spending on services grew a strong 7.9 percent while real spending on goods tumbled 9 percent.

Fixed Income

The yield on the ten-year U.S. Treasury decreased to 1.55 percent.



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Equity Markets

The Dow Jones Industrial Average (DJIA) rose 0.4 percent and finished the week at 35,820 points. The S&P 500 gained 1.3 percent and finished at 4,605 points. The NASDAQ had a particularly strong week and rose 2.7 percent to reach 15,498 points. U.S. equities resumed a bullish run in October after a pullback from record highs in September. During the month, DJIA rose 5.8 percent, S&P gained 6.9 percent, and the NASDAQ rose 7.3 percent. All three major indices reached all-time highs in October.

GLOBAL MARKETS

- Arab Light crude rose 0.6 percent and finished the week at \$82.94. Global benchmark Brent crude meanwhile dropped 1.3 percent and finished the week at \$84.38 and West Texas Intermediate (WTI) lost 0.2 percent and closed at \$83.57. As consumers feel the impact of higher oil prices at the pump, pressure has mounted on OPEC+ to accelerate planned production increases to meet surging demand. Remaining near multi-year highs, Brent crude saw its first weekly decline in nine weeks. U.S. energy firms meanwhile added oil and natural gas rigs for the 15th consecutive month as the rig count nears pre-pandemic levels. During the month of October, Brent rose 6 percent, WTI gained 10.6 percent, and Arab Light rose 8.2 percent. OPEC+ will meet on Thursday to discuss the status of its current production quotas.
- China's official NBS manufacturing PMI unexpectedly fell to 49.2 points in October, marking the second straight month of contraction in factory activity. New orders and export sales declined as supply chains pressures persisted. Employment levels dropped for the seventh straight month while input costs rose the most in five months.
- South Korea's GDP grew 4 percent YoY (+0.3 percent QoQ) according to preliminary estimates from the central bank. Private consumption was the main drag on growth, contracting 0.3 percent in Q3 alongside declines of 3 percent and 2.3 percent in construction and facility investments, respectively. Inflation was little changed at the end of Q3, remaining around 2.5 percent for sixth straight month.

THE WEEK AHEAD

- Saudi Arabia PMI for October released on November 3
- Federal Reserve interest rate decision released on November 3
- OPEC+ meets to discuss production agreements on November 4