



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

Weekly Market Brief
Week Ending January 21, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi holdings of U.S. Treasuries declined 1.3 percent to reach SAR431 billion (\$115 billion) in November, according to the U.S. Treasury Department. The Kingdom ranked as the 17th largest sovereign holder of U.S. debt.
- The Saudi government closed a SAR2.8 billion (\$755 million) riyal-denominated sukuk, its first issuance of 2022. The first tranche was valued at SAR1.3 billion (\$333 million), maturing in 2030, while the second tranche was valued at SAR1.6 billion (\$424 million), maturing in 2034. The government issued approximately SAR75 billion (\$20 billion) in sukuk last year.
- The real estate price index for Saudi Arabia inched up by 0.9 percent YoY in Q4, driven by an increase in residential land prices (+1.7 percent). Commercial and agricultural real estate prices declined by 0.7 percent YoY and 0.2 percent YoY, respectively.
- Point-of-sale (POS) transactions declined 7 percent to reach SAR9.5 billion (\$2.5 billion) during the week ending January 15. Each sector witnessed a decline in transactions, except for the hotels (+19 percent) and restaurants & cafes (+3 percent).
- Saudi Arabia issued 2,056 new investment licenses to foreign companies in Q4, a rise of 358 percent from last year. The highest number of issued licenses in Q4 was in the retail & e-commerce sector, accounting for more than 44 percent of the total. Industrial & manufacturing licenses followed with 16 percent of the total.

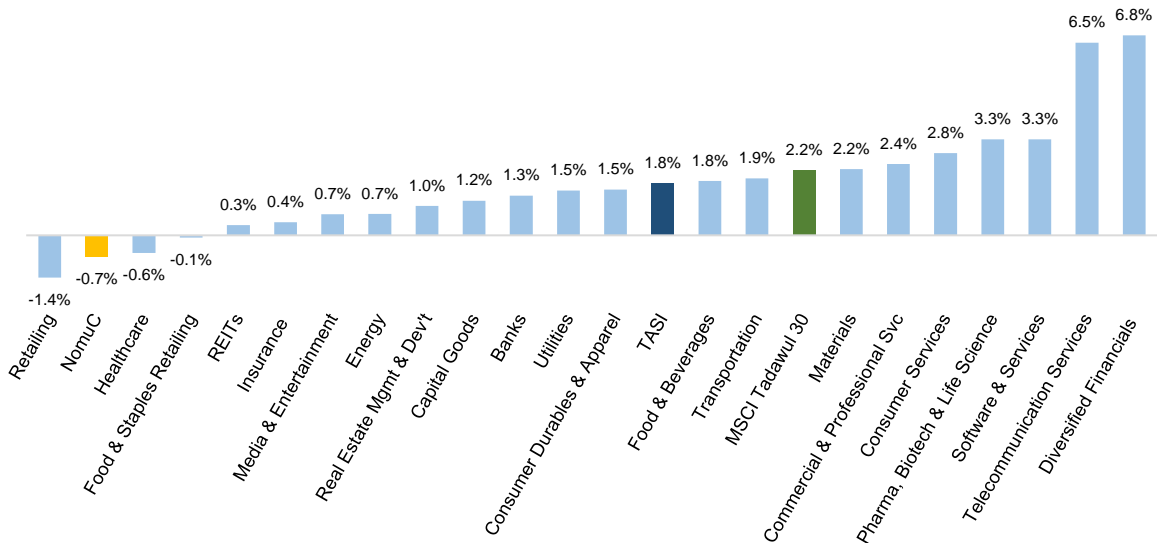


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Tadawul

The TASI rose 1.8 percent last week and closed at 12,291 points. All but three sectors finished in positive territory. 'Diversified Financials' rose 6.8 percent, followed by 'Telecommunication Services' and 'Software & Services,' which rose 6.5 percent and 3.3 percent, respectively. 'Retailing' was one of the sectors to finish in negative territory, losing 1.4 percent. The NomuC parallel market index fell 0.7 percent while the MSCI Tadawul 30 index rose 2.2 percent to close at 1,724 points.

Tadawul Weekly Index Performance - January 21, 2021



Source: Tadawul, USSBC

- Saudi Arabia's digital security firm Elm, owned by the Public Investment Fund (PIF), plans to sell 24 million shares and raise up to SAR3.1 billion (\$820 million) via an IPO.
- Saudi Arabia led the GCC region in IPO activity in 2021, accounting for 15 of the 20 major IPOs. The region's largest IPO last year was Saudi developer ACWA Power which generated SAR4.5 billion (\$1.2 billion).

Business, Trade, & Investment



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- U.S.-based Streamline Innovations announced a partnership with Zamil Group to market and deploy an environmental treatment solution for hydrogen sulfide in Saudi Arabia. Zamil will serve as Streamline's distributor within the Kingdom.
- Energy Recovery announced the signing of SAR94 million (\$25 million) in contracts to provide its PX Pressure Exchanger energy recovery devices for desalination plants in the Kingdom of Saudi Arabia. The orders are expected to be fulfilled by the close of Q1 2022.
- World Wrestling Entertainment (WWE) announced its Elimination Chamber event in February will take place at the newly constructed Jeddah Super Dome in Saudi Arabia. WWE and the General Sports Authority signed a 10-year deal in 2018.
- SABIC and ExxonMobil's joint venture, Gulf Coast Growth Ventures, launched commercial operations at its ethylene production unit in San Patricio County, Texas. The operation includes a 1.8 million metric ton per year ethane steam cracker, two polyethylene units capable of producing up to 1.3 million metric tons per year, and a monoethylene glycol unit with a capacity of 1.1 million metric tons per year.
- The Public Investment Fund (PIF) signed an agreement with South Korea's Posco and Samsung C&T to develop a new green hydrogen ecosystem. The two nations signed preliminary deals to jointly develop green hydrogen production plants, which is produced from renewable energy sources such as solar and wind.
- Saudi Arabia's Smart Cities Solutions Co. signed a SAR422 million (\$113 million) deal for a smart parking project in the city of Buraydah. The contract includes works to install multiple hydraulic-assisted parking lots that will provide 8,000 parking spaces.
- H.R.H. Crown Prince Mohammed bin Salman launched a new hospitality brand, Boutique Group, for the management and conversion of a collection of iconic cultural sites in Saudi Arabia into ultra-luxury hotels. Led by the PIF, Boutique Group will start with Al Hamra Palace, Tuwaiq Palace, and the Red Palace.

Banking

Weekly money supply M1, M2, and M3 fell 0.8 percent, 0.7 percent, and 0.5 percent, respectively, during the week ending January 13.

U.S. MARKETS



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U.S. Macroeconomic Developments

- U.S. housing starts rose 1.4 percent in December to a 1.7-million-unit pace as unseasonably mild weather allowed more construction activity. The increase was exclusively due to projects with five units or more. Multifamily starts jumped 13.7 percent while single family starts fell 2.3 percent. Still, the pace of both segments is at or near record highs to start the year.
- Existing home sales dropped 4.6 percent to a 6.18-million-unit pace in December as limited inventories constrained buying activity and drove prices higher. First-time buyers accounted for 30 percent of total purchases while investors accounted for 17 percent. Sales of condos and co-ops fell at a faster pace than single-family homes, but both segments ended 2021 at a softer pace.
- U.S. Purchasing Managers' Index (PMI) slumped to 50.8 points in January, a rapid slowdown in business expansion from last month's 57-point reading. Both manufacturing and service sector firms reported slowdown in output, softening demand conditions, supply chain challenges, and labor shortages. Business confidence also weakened on inflation concerns.

Fixed Income

The yield on the ten-year U.S. Treasury decreased to 1.75 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 4.6 percent and finished the week at 34,265 points. The S&P 500 lost 5.7 percent and finished at 4,398 points while the NASDAQ dropped 7.6 percent to reach 13,767 points amid a broad-based selloff in technology stocks.



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GLOBAL MARKETS

- Arab Light crude rose 2.9 percent and finished the week at \$86.64. Global benchmark Brent crude gained 2.1 percent and finished the week at \$87.89 and West Texas Intermediate (WTI) rose 1.6 percent and closed at \$85.14. U.S. energy firms cut the numbers of operating rigs for the first time in 13 weeks while data showed gasoline inventories hit an 11-month high. Tensions in the Middle East and Eastern Europe have heightened concerns of significant disruptions in energy supplies in the coming months. OPEC+ maintained its commitment to the 400,000 barrel per day (bpd) monthly increase but several producers continue to fall short of monthly targets.
- U.K. annual inflation rose to 5.4 percent in December, up from 5.1 percent in November and the highest since 1992. Food, restaurants, energy, and household goods were the biggest drivers of inflation. Consumer prices were up 0.5 percent on a monthly basis. Retail sales also unexpectedly dropped 3.7 percent MoM as department store sales came in far below forecasts.
- The Bank of Japan left interest rates unchanged at -0.1 percent and ruled out policy tightening while raising the inflation forecasts to 1.1 percent for the year beginning April 2022 (from 0.9 percent previously). High commodity costs are expected to drive prices in the year ahead, but the Bank stressed it would maintain its ultra-loose monetary policy despite global counterparts shifting stances to target inflation.

THE WEEK AHEAD

- Saudi Arabia releases international trade figures for November on January 25
- U.S. Fed announces interest rate decision on January 26
- U.S. durable goods orders for December released on January 27
- Saudi Arabia PMI for January released on February 3