

### International Economic Highlights

The **U.S. unemployment rate** fell to a nine-year low of 4.6 percent in November, as employers added another 178,000 jobs, making it almost certain that the Federal Reserve will raise interest rates later this month. The unemployment rate hit its lowest level since August 2007 because more people found work but also because the labor force shrank as more people retired, lowering the number of working-age people in the labor force to 62.7 percent.

The week ahead				
Days	Country	Event	Survey	Prior
Sun	EUR	Italian Constitution Amendment Vote		
	USD	CB Consumer Confidence	101.3	98.6
Mon	GBP	Services PMI	54.2	54.5
	USD	ISM Non Manufacturing PMI	55.3	54.8
Tue	EUR	ECOFIN Meeting		
Wed	GBP	Manufacturing Production m/m	0.2%	0.6%
	USD	Crude Oil Inventories		-0.9M
	JPY	Final GDP q/q	0.6%	0.5%
	JPY	Current Account	1.57T	1.48T
	CNY	Trade Balance	307B	325B
	USD	ISM Manufacturing PMI	52.1	51.9
Thu	EUR	Minimum Bid Rate	0.00%	0.00%
	EUR	ECB Press Conference	165K	161K
	USD	Unemployment claims	272K	268K
	USD	Prelim UoM Consumer Sentiment	94.3	93.8

International Equities	Weekly	YTD	1 Year	PE	Dividend Yield
MSCI World	-0.7%	2.8%	0.8%	21.53	2.57%
S&P500	-1.0%	7.2%	4.8%	20.50	2.13%
Canada	-0.2%	15.7%	12.7%	22.69	2.79%
Australia	-1.2%	2.8%	5.7%	24.76	4.25%
Japan	0.2%	-3.2%	-5.5%	23.96	1.75%
MSCI Europe	-0.9%	-6.6%	-7.9%	25.98	3.76%
FTSE 100	-1.6%	7.8%	7.9%	57.89	4.24%
DAX	-1.7%	-2.1%	-2.2%	16.45	2.92%
CAC 40	-0.5%	-2.3%	-3.9%	22.37	3.71%
IBEX	-0.8%	-9.8%	-14.6%	19.41	4.42%
FTSE MIB	3.5%	-20.2%	-22.4%	43.23	4.08%
MSCI Emerging Market	-0.3%	7.4%	5.0%	15.28	2.57%
SHSZ300	0.2%	-5.4%	-4.0%	15.72	2.03%
SENSEX	-0.3%	0.4%	2.3%	19.53	1.63%
KSE100	0.6%	31.9%	32.3%	11.66	4.98%
MSCI Brazil	-3.5%	52.8%	36.7%	106.95	2.85%
MSCI Russia	3.4%	36.2%	26.9%	10.18	3.97%
MSCI South Africa	-3.5%	-3.4%	-0.9%	18.01	3.17%
MSCI All World	-0.7%	3.2%	1.2%	20.64	2.57%

Currency	Level	WTD	YTD
Euro	1.066	0.71%	-1.82%
Pound	1.273	2.02%	-13.62%
Yen	113.510	-0.26%	5.91%
Renminbi	6.880	0.56%	-5.61%
Swiss Franc	1.011	0.30%	-0.89%
SAR/GBP	4.776	-2.01%	13.66%
SAR/EUR	4.000	-0.64%	1.88%
SAR/CNY	0.546	-0.61%	5.54%

Macro	Annual		Last
	GDP	Inflation	Rates
USA	2.60%	0.13%	0.50%
UK	2.20%	0.04%	0.25%
Eurozone	2.00%	0.01%	0.00%
Japan	0.60%	0.80%	-0.10%
China	6.90%	1.44%	4.35%
Saudi Arabia	3.49%	2.19%	2.00%
Bahrain	2.86%	1.84%	2.50%
Kuwait	1.85%	3.23%	0.75%
Qatar	3.66%	1.81%	4.50%
Oman	3.32%	0.07%	1.00%
UAE	3.97%	4.07%	1.00%

Commodities	Level	WTD	YTD	1 Year
WIT Oil (Nymex)	51.68	12.20%	16.90%	8.25%
ICE Brent Oil	54.46	12.89%	19.67%	7.02%
Gold (spot)	1177.43	-0.52%	10.96%	11.74%
Natural Gas	3.46	7.31%	20.30%	22.04%

Govt. Bond yields (10 yr)	Yield to maturity	YTD		1 Year	
		Basis point	%	Basis point	%
USA	2.383	0.114	5.0%	0.203	9.3%
UK	1.380	-0.580	-29.6%	-0.373	-13.5%
Germany	0.031	-0.348	-91.7%	-0.189	-7.3%
Japan	0.040	-0.225	-84.9%	-0.282	-10.6%
China	3.021	0.161	5.6%	-0.059	-2.4%



### International Economic Highlights (Continued)

- **U.S. nonfarm payrolls** increased by 178,000 jobs last month after increasing by 142,000 in October, the Labor Department said on Friday. Wages slipped for the first time in nearly a year though after two straight months of increases. Economists partially blamed the drop in average hourly earnings on a calendar quirk, which they expect Fed officials will overlook at their Dec. 13-14 policy meeting. After a rally of about 6.0 percent in the past three weeks, U.S. stocks ended little changed in the wake of the jobs data on Friday.
- **U.S. Treasury bond yields** on Friday eased from multi-month highs after the worst sell-off in debt markets in nearly eight years following the election of Donald Trump as U.S. president in early November. Trump's plan to increase infrastructure spending and cut taxes could encourage companies to boost hiring and spur an even faster pace of economic growth over the coming years

Prime Minister Theresa May's government launches a challenge on Monday against a court ruling that it requires parliamentary approval to start the process of leaving the European Union, a decision that could upset **Britain's Brexit** plans.

- If the Supreme Court, the United Kingdom's highest judicial body, dismisses the government appeal it could derail May's timetable for triggering Article 50 of the Lisbon Treaty and leaving the EU. The government's legal fight comes against a backdrop of claims by some politicians and newspapers that establishment judges want to thwart the Brexit process.

May will also be visiting Bahrain this week to meet Gulf leaders to discuss security cooperation and boost trade with the U.K. as she seeks to build new ties after Brexit. She will attend a dinner with the leaders of Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman on Tuesday, and hold bilateral meetings with each leader. She'll also discuss the situation in Yemen and Syria, as well as relations with Iran, her office said in an e-mailed statement.

**Italians** are poised to decide whether to back Prime Minister Matteo Renzi's constitutional reform in a binding referendum with no minimum quorum on Sunday.

- Voters will be asked whether they want to amend the Italian Constitution. That is no easy feat as the 1948 legal framework was written precisely with the idea of a dominant legislature to safeguard against fascism. The text of the reform took years to jump through all the hoops in both houses and must now, in a final test, be put to the people. The basic pitch is that there are too many overpaid senators that need to be got rid of to enable laws to be passed quickly and efficiently.

No matter where you look in the **oil market**, key markers watched by traders have been going haywire since Wednesday -- and they show little sign of letting up. Whether it's a futures curve suddenly suggesting concerns that supply is shrinking or record trading of contracts designed to protect against price fluctuations, OPEC's first output cut in eight years has sent the market into a spin. EXACTLY two years after Saudi Arabia coaxed its fellow OPEC members into letting market forces set the oil price, it has performed a nifty half-pirouette. On November 30th it led members of the oil producers' cartel in a pledge to remove 1.2m barrels a day (b/d) from global oil production, if non-OPEC countries such as Russia chip in with a further 600,000 b/d. That would amount to almost 2% of global production, far more than markets expected. It showed that OPEC is not dead yet.

- The size of the proposed cut (1.2 million bpd), the first since 2008, caused a surge in Brent oil prices to above \$50 a barrel. Some speculators think it may mark the beginning of the end of a two-year glut in the world's oil markets, during which prices have fallen by half and producers such as Venezuela have come close to collapse. Russia has agreed to a cut by 300,000 barrels per day by January instead of 600,000 barrels per day initially expected.

#### Middle East Economic Highlights

Turkish President Recep Tayyip Erdogan on Saturday said his political enemies are trying to sabotage the economy by speculating on the stock market, foreign exchange rate and interest rates after failing to overthrow his administration in July.

- The **lira plunged** to record lows over the past week even as Erdogan urged Turks to convert their foreign currency savings into liras and gold while vowing to keep up his fight against high interest rates. Erdogan is trying to verbally stem a run on the lira, which has lost more than any other emerging market currency over the past month, damping everything from consumer sentiment to economic growth. Since a coup was quelled in July, Erdogan has sought popular support to shift from a parliamentary system to an executive presidency to concentrate power in his office.

Israel is determined to turn an OECD-led corporate tax crackdown to its advantage. With its prized tech industry slowing, officials are headed to the U.S., Europe and Asia to offer **tax breaks** to global technology companies to encourage them to do more research and development in Israel.

- A plan proposed by the Organization for Economic Cooperation and Development would stop multinationals from shifting profits to different countries to lighten tax loads. More than 270 multinationals already have R&D centers in Israel, and Lang's challenge is to keep them there and add new ones to the roster as countries prepare to implement the OECD proposals.

**Amazon.com** Inc. is in talks to acquire Dubai-based online retailer **Souq.com FZ** for about \$1 billion in a deal that will give the e-commerce giant a footprint in the high-growth Middle East market, according to people familiar with the matter.

- Seattle-based Amazon is considering a bid for all of the site, which had initially planned to sell a stake of at least 30 percent, the people said, asking not to be identified as the information is private. No final agreements have been reached and negotiations could still falter, the people said.

Dubai-based port operator **DP World** has announced the creation of an investment vehicle in partnership with Caisse de dépôt et placement du Québec (CDPQ), one of North America's largest pension fund managers.

- The investment platform totals \$3.7 billion, with DP World holding a 55 percent share and CDPQ the remaining 45 percent, the company said in a statement.
- The platform will invest in ports and terminals globally (excluding the UAE) across the life cycle of the asset, with a focus on investment grade countries, it said.

ME Equities	Weekly	YTD	1 Year	PE	Dividend Yield
MSCI GCC	3.1%	2.7%	-0.5%	13.99	3.81%
Saudi Arabia	4.4%	2.6%	-3.5%	16.85	3.28%
Dubai	1.1%	6.7%	4.9%	10.96	4.09%
Abu Dhabi	0.8%	0.0%	1.7%	11.10	5.68%
Bahrain	-0.7%	-3.1%	-3.9%	9.64	4.76%
Qatar	2.0%	-4.9%	-6.1%	14.36	4.09%
Kuwait	0.9%	-0.8%	-4.1%	18.93	4.38%
Muscat (30)	1.2%	3.4%	0.6%	10.55	5.10%
Egypt (30)	1.7%	64.8%	73.7%	-	1.39%

Hotels operating in the UAE continued to see declines in occupancy and room rates during October, according to the latest data from industry consultants STR.

- It said the **UAE's hospitality sector** reported an occupancy dip of 2.9 percent during the month to 75.6 percent, while average daily rates (ADR) dropped 9.6 percent to AED668.05, the lowest for an October since 2005. As a result, revenue per available room (RevPAR) declined by 12.3 percent to AED505.34.
- STR said October was the 22nd consecutive month of year-over-year ADR decreases in the UAE, due in part to consistent and significant supply growth, which is up by 5.1 percent year to date). At the same time, demand has remained strong, up 5 percent year to date.
- In Dubai, hotels saw occupancy fall by 2 percent to 78 percent, ADR was down 9.8 percent to AED764.63 and RevPAR dropped 11.6 percent to AED596.16. STR said strong supply growth (up 5.8 percent year to date) has slightly outpaced a year-to-date demand increase (up 5.6%) in the market.

### Week In Review

#### Saudi Arabia Economic Highlights

The Saudi Stock Exchange (**Tadawul**) saw a positive performance in the first week of November. Market, already ridden by optimism from bond issuance, government liquidity injection, repayment to contractors, and public investment fund's diversification efforts, got a further boost from **OPEC's deal** to cut production by 1.2 million bpd. Tadawul All Share Index (TASI) increased by 4.4%. Petchem gained 6.4%, 3.5% of which is attributable to Thursday's rally.

King Salman bin Abdulaziz has replaced **Saudi Arabia's labour minister**, state media reported on Friday, after recent statistics showed a rise in unemployment in the world's top oil exporter.

- In a royal decree read on state television, the king also reshuffled the country's top religious body, the Council of Senior Scholars, and the Shura Council, which advises the government.
- State television said King Salman had appointed Ali bin Nasser al-Ghafis as labour minister to replace Mufrej al-Haqbani. Haqbani faced a slew of challenges in his time at the helm of the Labour Ministry, as a sharp drop in crude prices slashed government revenues and took a toll on economic growth.
- Job creation dried up this year amid severe cuts to public spending and delays in state payments to contractors, despite reforms geared toward creating jobs for Saudis. The unemployment rate rose to 12.1 percent in the third quarter, up from 11.6 percent the previous quarter.
- The kingdom's economic reform plan, led by Deputy Crown Prince Mohammed bin Salman, has set targets to cut the jobless rate to 7 percent by 2030 and raise women's participation in the labour force to 30 percent from 22 percent.

Saudi Arabian Monetary Agency (SAMA) said that the **LTD ratio** in the Saudi banks hit its lowest in six months in October, especially since April 2016.

- The LTD ratio reached 83.06% in October 2016, compared to 79.3% in the same month of 2015. In September, SAMA decided to inject about SAR 20 billion as time deposits for the banks sector instead of the governmental bodies.

**Saudi Arabia's sovereign wealth fund** is deepening ties with Dubai-based businessman Mohamed Alabbar by taking a 50 percent stake in his Adeptio investment vehicle.

The acquisition is part of the Public Investment Fund's strategy to boost non-oil investments, according to a statement late Monday, which didn't give financial details of the transaction. Adeptio is working on a takeover of fast food restaurant operator Kuwait Food Co., also known as Americana, and is set to begin a mandatory tender offer for the company's shares after acquiring a 67 percent stake.



Tadawul	Weekly	YTD	1 Year	PE Ratio	Dividend Yield
TASI	4.4%	2.6%	-3.5%	16.85	3.28%
Banking	1.3%	0.7%	-0.8%	10.15	3.34%
Petrochemical	6.4%	25.9%	6.8%	28.08	3.76%
Retail	8.2%	-19.7%	-23.2%	19.08	3.00%
Chemical	7.5%	-8.4%	-17.0%	10.60	8.39%
Industrial	7.9%	4.5%	1.6%	23.17	0.88%
Telecom	4.3%	-0.9%	-5.0%	66.92	3.47%
Real Estate	6.0%	19.9%	12.0%	52.48	0.98%
Agriculture	5.4%	-8.7%	-15.6%	20.38	2.55%
Building	5.0%	-16.7%	-23.8%	23.18	4.55%

Interbank Offer Rates	SAIBOR	YTD	USD LIBOR	YTD
1 month	1.85%	44.42%	0.65%	50.56%
3 month	2.07%	33.66%	0.95%	54.46%
6 month	2.25%	37.96%	1.29%	52.64%
12 month	2.47%	38.26%	1.64%	39.61%



#### Saudi Arabia Economic Highlights (Continued)

Saudi Arabia's Lionhorn Pte Ltd has bought franchise rights for McDonald Corp.'s restaurants in Singapore and Malaysia as the New York-listed fast food chain looks to move away from direct ownership in Asia.

- In a statement McDonald's said it transferred its ownership interest in 390 restaurants, more than 80 percent of which were company-owned, on Dec. 1 to Lionhorn. Lionhorn is led by Sheik Fahd and Abdulrahman Alireza, who are franchisees for nearly 100 McDonald's restaurants in the western and southern regions of Saudi Arabia, the statement said. The fast food firm did not disclose the financial terms of the deal.



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