



# EYES ON MARKETS

## GLOBAL MARKETS

Recent economic data, particularly the softer inflation numbers, have increased the likelihood of more accommodative monetary policy which could help to support the economic recovery and prevent a deeper recession. Positive earnings data in Q1 has improved market sentiment, with investors feeling more optimistic about the prospects for corporate profits.

However, the bond market is still pricing in the possibility of a recession, as evidenced by the inverted yield curve. This suggests that investors are still concerned about the possibility of an economic downturn in the near future. China's reopening trade has stalled over the past few months, but we still forecast a strong economic recovery. China's macroeconomic indicators for March have shown impressive strength, as loans and Total Social Financing (TSF) continued to exceed expectations, and trade growth remained robust, particularly in terms of exports.

Our outlook for developed market equity has been upgraded to neutral based on recent developments such as softer inflation and economic data, and better than expected earnings in Q1. Despite this positive shift, we remain wary of the potential for a more severe recession and the impact of geopolitical tensions on the global economy.

## REGIONAL MARKETS

SPSHDSLTL increased by 6.24% as cumulative inflows into the Net Foreign Portfolio Investment (NFPI) for the month were more than USD790mn. Local cement sales recorded 16.7% YoY decrease in March 2023 vs 1.4% increase in February 2023 although new mortgages recorded flat MoM performance and 52% YoY decrease due to unfavorable interest rate environment. PMI for April 2023 increased to 59.6 vs 58.7 in March 2023, while banking deposits grew 10.8% YoY in March 2023 vs 8.2% in February 2023, inflation dipped to 2.74% in March 2023 vs 2.96% in February 2023. Value of POS + ATM transactions per terminal decreased by 22% YoY in March 2023 vs 17% decline in February 2023. Mortgages sales amounted to SAR7.5bn in March 2023 vs SAR7.4bn in February 2023. Fitch upgraded its grade for Saudi Arabia to A+ and upgraded eight Saudi banks' long-

term issuer default ratings to A- from BBB+, with a stable outlook. Riyadh recorded the lowest unemployment rate across Saudi Arabia of 6.7% and Industrial Production Index rose 6% YoY in February, driven by high production in mining and quarrying, and manufacturing activities. Lastly, real estate prices edged up 1% in 1Q23 YoY.

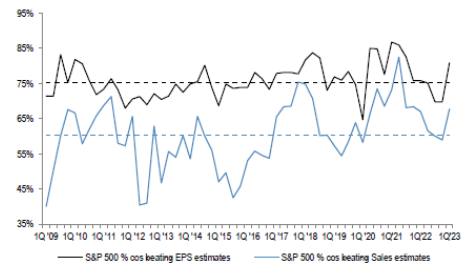
In terms of reforms, focus was on enforcement as Saudi Competition Authority fined 14 cement companies on collusion, though impact on earnings for these companies is insignificant but the message was delivered.

In terms of key developments, OPEC+ surprised with output cuts supporting the price, 80 new factories started operations in February - total investments OF SAR4.3bn (USD1.1bn) and sovereign wealth fund disclosed investments in dozens of private equity and venture capital firms via its Sanabil Investments arm, including Blackstone and General Atlantic. Crown Prince Mohammed bin Salman announced establishment of four special economic zones. Over 2 million passengers passed through Jeddah's King Abdulaziz International Airport since the beginning of Ramadan and Ministry of Industry and Mineral Resources finalized arrangements to award licenses for mining / exploration at two of its sites as it shortlisted 13 bidders amidst a drive to develop the Kingdom's mining sector.

Brent recorded flattish movement in April 2023, MSCI Emerging Market Index decreased 0.96%, MSCI World Index registered 2.68% increase, and Bloomberg Commodity TR Index increased by 0.24%. US inflation data for March printed inflation below 5% validating the last expected hike. The month experienced seasonality factor as Ramadan and Eid holidays reduced the working days and market turnover recorded 15% decline.

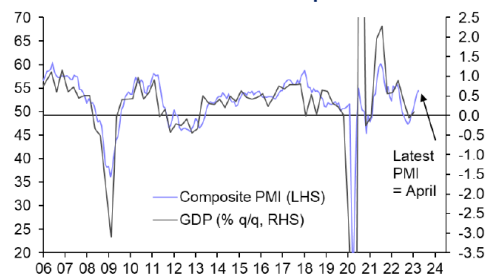
Going forward, we believe that US inflation will maintain MoM run rate of 0.3% which means latest by May (data to be announced in June) real interest rates would turn significantly positive and US FED be more focused on stabilizing growth than trimming inflation. Oil prices are likely to remain volatile as global economic outlook remains uncertain. 1Q 2023 results started pouring in towards the end of month and validated our 7% YoY decline assumption. Having said that we maintain the re-rating outlook and continue to see TASI testing 12300 levels before year end.

## % of S&P500 companies beating quarterly EPS and sales estimates



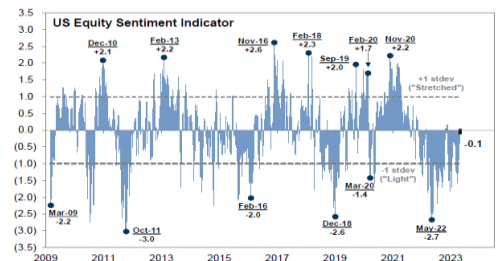
Source: Bloomberg Finance L.P., J.P. Morgan, dotted lines denote median EPS and Sales beats

## Euro-Zone GDP and Composite PMI



Source: Capital Economics, Refinitiv

## US Equity Sentiment Indicator



Source: Goldman Sachs.



## GLOBAL MARKET INDICES

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)
World	DJIM World TR	6,201.39	(1.0)	10.2	0.1	(3.4)	11.7	9.4	9.5	0.7	28.2	19.7	(24.2)
Developed	DJIDEV TR	6,221.21	(1.0)	11.5	1.2	1.2	12.9	12.9	10.2	1.2	27.4	23.0	(24.2)
Emerging Markets	DJIEMG TR	4,582.33	(0.8)	(1.1)	(10.4)	(17.1)	1.8	0.5	3.6	4.4	35.3	(4.7)	(24.2)
Saudi	TASI	6,995.30	(2.1)	5.7	(19.4)	3.6	18.9	6.5	4.4	7.7	4.4	27.9	(6.4)
NAREIT	All REITS (EM Inc) TR	6,477.69	(2.0)	0.7	(15.6)	(8.2)	5.1	0.5	1.7	1.9	(9.2)	23.0	(23.6)
GSCI	All Commodities	2,661.19	(5.8)	(12.8)	(28.8)	2.2	27.5	2.3	(1.7)	(1.6)	(6.1)	37.1	8.7
Currencies	Euro	1.26	1.2	(2.7)	(3.4)	(10.0)	(7.4)	(4.1)	(3.0)	(2.5)	5.2	(10.3)	(12.2)
	Yen	1.11	(0.0)	4.0	0.5	(5.0)	0.2	2.4	0.6	2.3	3.1	(1.0)	(10.7)
	GBP	0.88	0.0	(0.2)	(4.4)	(3.2)	0.7	(1.7)	(1.2)	(0.6)	6.7	2.7	(7.9)

Source: Global Data as end of 03 May 2023. Saudi Market Data as end of 03 May 2023.

\*All values beyond 1 year are annualized

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