



EYES ON MARKETS

GLOBAL MARKETS

The unexpected dip in October's inflation figures generated optimism, propelling the S&P 500 beyond 4,500 and marking a notable 19.23% year-to-date increase. This positive sentiment extended into earning season, where macroeconomic data took center stage. Positive revisions in inflation and growth projections are shaping market expectations, fueling anticipation of a rate cut in the first half of 2024. This anticipation is seen as a positive driver for both stock and bond markets. Concurrently, U.S. money-market fund assets have surged to a record high of \$5.7 trillion, indicating a robust investor sentiment.

Furthermore, within fixed-income markets, U.S. investment-grade corporate bonds are performing strongly, buoyed by a 50 basis points decrease in the 10-year Treasury yield from recent highs. The positive momentum is not confined to the U.S., as cooling inflation in Europe is contributing to the rise of European equity markets. The Euro Stoxx 50, for instance, has seen a significant year-to-date increase of 13.38%. The European Central Bank's stance on maintaining rates unchanged over the next few quarters underscores their confidence in the region's economic trajectory.

Turning to geopolitics, the recent Biden-Xi summit emphasized peaceful coexistence, fostering dialogue, and cooperation between the U.S. and China. Despite these diplomatic efforts, concerns persist in China, reflected in macro indicators, stock market underperformance, and challenges in the real estate sector. Responding to economic headwinds, the People's Bank of China injected RMB 1.45 trillion into the banking system, underscoring the efforts to stabilize the economy.

In addition, in Japan, the Nikkei continues its upward trajectory, boasting a significant year-to-date increase of 30.75%. Positive earnings surprises and a favorable exchange rate have propelled this growth. However, a negative growth figure in Q3 signals the delicate state of the Japanese economy. This intricate web of global economic dynamics emphasizes the intricate connections and complexities at play in financial markets worldwide.

REGIONAL MARKETS

SPSHSLT increased by 6.2% as cumulative inflows in the Net Foreign Portfolio Investment (NFPI) for the month exceeded USD1bn. Local cement sales recorded 5% YoY decrease in November 2023 vs 11% decrease in October 2023 as mortgages recorded an 16% MoM decrease and reduced YoY fall to 27% vs 40% last month as local inflation softened. PMI for November 2023 decreased to 57.5 vs 58.4 in October 2023, while banking deposits grew 9% YoY in October 2023 vs 8% in September 2023, inflation

dipped to 1.62% in October 2023 vs 1.69% in September 2023. Value of POS + ATM transactions per terminal decreased by 13.3% YoY in October 2023 vs 16.7% decline in September 2023. Mortgages sales amounted to SAR7.1bn in October 2023 vs SAR6.1bn in September 2023. Growth in non-oil business activity accelerated for a second consecutive month in October, with new orders supporting an overall expansion leading to a sharp rise in employment levels. 3Q 2023 budget was posted with a deficit of SAR35.8bn with 9-Months deficit at SAR44bn. The deficit was driven by lower oil prices, leading oil revenues to drop 36% YoY to SAR147bn. Non-oil revenues grew 53% YoY to SAR111bn, cushioning the drop in overall revenues. Meanwhile, expenditures were up just 2% YoY at SAR294bn, thanks to muted spending on investment (+1.8%) and social benefits (-0.5%). Real non-oil GDP growth decelerated to 3.6% in 3Q23 from 5.3% in 2Q23. Overall GDP growth contracted by 4.5% on the back of a sharp (17.3%) contraction in the oil sector on the back of products cuts.

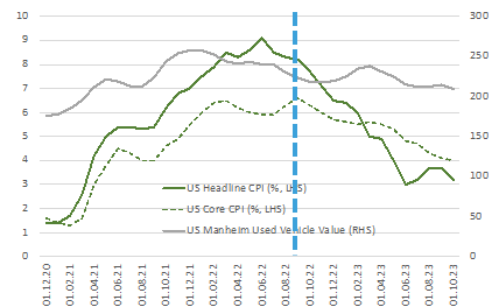
In terms of reforms, as per the Ministry of Commerce Electronic commerce is expected to witness significant growth with total revenues reaching SAR49bn by 2025 and Interior Ministers of the GCC countries approved unified Gulf tourist visa project, which is expected to commence in 2025. SAMA and the People's Bank of China signed a 3-year agreement to establish a bilateral currency swap arrangement with maximum value of CNY50bn, while NEOM signed deals with Bosch and Bain & Co. to accelerate clean industrial transformation in OXAGON, the industrial city in NEOM, which will operate with 100% renewable energy. TADAWUL launched single stock options, from 27 November to increase liquidity within the exchange.

In terms of key developments, Saudi Arabia submitted the one and only bid for hosting the 2034 FIFA World Cup and won the EXPO 2030 hosting rights as well. PIF and Hyundai agreed to jointly build a USD500mn car manufacturing plant in Saudi Arabia, producing 50K vehicles per year; simultaneously, PIF formed a joint venture with Italian company Pirelli to build a USD550mn tire plant and secured a term loan of USD5bn from a group of nine international lenders. The new flagship airline Riyadh Air announced placement of a second major aircraft order. Office rents in KSA surged on average by 20% in 3Q23 on the back of strong demand resulting from the influx of new foreign businesses. ARAMCO discovered two new natural gas fields in the Empty Quarter region and the Ministry of Energy announced to prolong its 1MBPD voluntary production cut until the end of the 1Q 2024.

Brent recorded a -4.6% movement in November 2023, MSCI Emerging Market Index registered 7.9% increment, MSCI World Index jumped up 9.2% and Bloomberg Commodity Index declined 2.7%. US inflation data for October declined to 3.2% YoY and monthly run rate decreased to -4bps vs +25bps in September and 40bps YTD average, while core inflation came down to 4% vs 4.1% last month. The market seems to have digested the impact of regional political reverberations in November 2023.

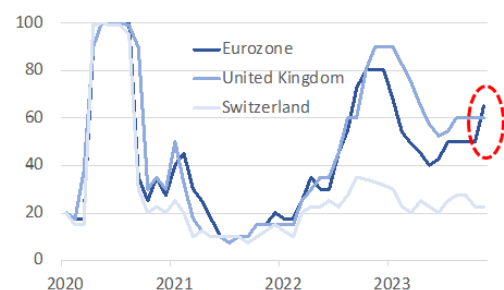
Going forward, we believe that both global and local markets know that a major decline in inflation has been recorded and the journey towards the 2% target will be slow and more painful than rewarding. It seems that US FED has accepted the argument for peak interest rate and markets have started factoring in the softer landing. In Saudi we started recovery towards 11,800 levels after the correction.

Consumer Price US



Source: BERG Capital Management and Bloomberg L.P.

Western Europe (Bloomberg survey %)



Source: BERG Capital Management and Bloomberg L.P.



GLOBAL MARKET INDICES

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)
World	DJIM World TR	8,932.00	1.3	22.7	18.2	(3.1)	4.6	12.3	9.9	28.2	19.7	(24.2)	(29.9)
Developed	DJIDEV TR	5,138.48	1.5	25.0	20.1	(2.2)	6.3	13.2	10.5	27.4	23.0	(24.2)	(32.6)
Emerging Markets	DJIEMG TR	4,461.90	(1.2)	2.1	0.8	(12.2)	(9.0)	3.8	3.9	35.3	(4.7)	(24.2)	0.2
Saudi	TASI	11,395.00	1.9	8.7	13.6	1.9	9.6	7.6	3.1	4.4	27.9	(6.4)	(26.4)
NAREIT	All REITS (EM Inc) TR	2,760.87	2.5	3.0	1.1	(9.9)	(0.3)	0.9	3.8	(9.2)	23.0	(23.6)	13.6
GSCI	All Commodities	520.26	(6.4)	(14.7)	(10.7)	(2.2)	9.7	5.0	(1.8)	(9.2)	23.0	8.7	(16.2)
Currencies	Euro	1.08	(0.9)	0.8	2.4	(2.3)	(3.8)	(1.0)	(2.4)	8.9	(6.9)	(5.8)	3.9
	Yen	145.45	1.9	(9.9)	(5.3)	(11.7)	(10.6)	(4.9)	(3.4)	5.2	(10.3)	(12.2)	33.9
	GBP	1.26	(0.5)	4.0	2.4	(2.7)	(1.7)	2.6	0.2	3.1	(1.0)	(10.7)	5.5

Source: Global Data as end of 12 December 2023. Saudi Market Data as end of 12 December 2023.

* All values beyond 1 year are annualized

IMPORTANT INFORMATION

You should read this.

This document is only intended for the persons to whom SEDCO Capital or one of its affiliates ("SEDCO Capital"), or its designated representatives, has given it directly. This document is not to be distributed, published, copied, transmitted or otherwise given in whole or in part to other parties without the express written consent of SEDCO Capital. These materials are not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use is contrary to local law or regulation. Persons into whose possession this document comes are required by SEDCO Capital to inform themselves about and to observe any restrictions as to the offer or sale of the interests described herein under the laws and regulations of any territory in connection with any applications for such interests, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by SEDCO Capital that would permit a placing of the relevant interests in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document.

The information and opinions in this document were prepared by SEDCO Capital. The information herein is believed by SEDCO Capital to be reliable and/or has been obtained from public sources believed to be reliable. SEDCO Capital makes no representation or warranty as to the accuracy or completeness of any of the information contained herein. This document is not exclusive to any recipient and SEDCO Capital may undertake business in respect of any of the concepts represented by this document with other parties other than a particular recipient. SEDCO Capital may also undertake business which is inconsistent with the trading suggestions made in this document. This material has been prepared solely for purposes of illustration and discussion. Under no circumstances should the information contained herein be used or considered as an offer to sell, or solicitation of an offer to buy any security. Any security offering is subject to certain investor eligibility criteria as detailed in the applicable offering documents. The information contained herein is confidential and may not be reproduced or circulated in whole or in part.

Opinions, estimates and projections in this document constitute the current judgment of SEDCO Capital and are subject to change without notice. SEDCO Capital has no obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Prices and availability of financial instruments also are subject to change without notice.

This document is provided for informational purposes only. It is not to be construed as an offer to buy or the solicitation of an offer to sell any security or to participate in any particular investment strategy in any jurisdiction. Any such investment activity must only be made on the basis of final form offering materials which will only be made available to those who demonstrate the capacity to evaluate the risks and merits of this investment. Under no circumstances should the delivery of this document, irrespective of when it is made, create an implication that there has been no change in the affairs of SEDCO Capital or any of its products since the date of this document. Prospective investors should not treat the contents of this document as advice relating to legal, Shari'ah, taxation, investment or any other matters.

Any financial instruments discussed in this document may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. An investment in certain financial products may only be suitable for certain sophisticated investors who have no need for immediate liquidity in their investment. Income from an investment may fluctuate and the price or value of financial instruments described in this document, either directly or indirectly, may rise or fall and an investor may lose all moneys invested. Furthermore, past performance is not necessarily indicative of future results.

The accompanying documents are produced solely for the specified recipient. By accepting this information, you agree: (i) not to transmit, reproduce or make available to any other person all or any part of the accompanying documents; and (ii) to all of the terms of the foregoing.

23C90