



Global Markets

September brought significant developments that set the stage for a strong fourth quarter. Following the Fed's rate cut, markets surged, with the NASDAQ jumping 2.5%, the S&P 500 gaining 1.7%, and the Dow rising 1.3%. In the bond market, the 10-year Treasury yield closed the week at 3.73%—higher than the previous week but well below the year-to-date high of 4.70% seen in late April. Gold prices reached a milestone, surpassing \$2,600 per ounce for the first time, marking a 27.6% year-to-date increase. However, U.S. hiring in August fell short of expectations, with payrolls increasing by 142,000, although the unemployment rate edged down to 4.2%. Lastly, the global benchmark for oil experienced a 9% drop, its largest monthly decline since November 2022, and a 17% slump in the third quarter, the biggest quarterly loss in a year, while U.S. crude oil prices faced a third consecutive monthly loss due to rising supplies from OPEC+ and weak demand in China.

Reflecting these updates, SEDCO Capital maintains a neutral stance on equities, with a slight risk-on bias in the U.S. due to positive economic indicators and monetary easing. Emerging Markets benefit from Chinese government stimulus, while Europe and Asia Pacific remain cautiously neutral amid regional uncertainties. We've upgraded our outlook on Emerging Markets, backed by potential Chinese stimulus and low valuations.



Fed Drops the Hammer

After much anticipation from economists and investors, the moment has arrived—the U.S. Federal Reserve has signaled the start of its easing policy. As expected, the Fed reduced its key lending rate by 50 basis points (0.50%), surpassing the more modest 25-point cut some had predicted. The decision, supported by 11 of the 12 voting members, leaves the Fed funds rate at a range of 4.75% to 5.00%, with additional cuts anticipated in the Fed's upcoming meetings in early November and mid-December.



China is Rushing to Replenish its Economy

The People's Bank of China announced plans to lower borrowing costs, inject more funds into the economy, and ease households' mortgage repayment burdens. Following this, at the quarterly Politburo meeting on economic affairs, Chinese leaders acknowledged emerging challenges in the economy and emphasized

the need for additional policy measures. A series of these policy announcements fueled the largest weekly gains in Chinese equities since 2008, with the CSI 300 rising 15.7% and the Hang Seng 13.0% during the last week of September. China's major banks are facing increased pressure from regulators to help stabilize the economy by offering cheaper loans to high-risk borrowers, such as real estate developers. Additionally, Beijing is considering injecting up to 1 trillion yuan (\$142 billion) into its largest state banks to enhance their ability to support the economy, an action that would mark the first such capital injection since the 2008 global financial crisis.



Is it The Hidden Gem Beyond the Magnificent 7?

Beyond the Magnificent 7, Micron Technology is making notable strides. The largest U.S. producer of computer memory chips saw its biggest surge in nearly 13 years after issuing an upbeat sales forecast that caught the attention of many investors. A key driver of this momentum is the company's high bandwidth memory, which has become a lucrative new revenue stream for Micron and other chipmakers—completely selling out for this year and the next. Micron's fiscal first-quarter revenue is projected to be around \$8.7 billion. With the stock up 30% this year, it raises the question: are we too focused on the Magnificent 7, potentially overlooking other promising names?



Regional Markets

New Deals, Non-Oil Growth, and Global Partnerships

As part of its ongoing efforts to reduce reliance on oil, Saudi Arabia's non-oil economy grew by 4.9% year-over-year in Q2 2024, driven primarily by the financial and insurance sectors. This growth aligns with the country's Vision 2030 goals to diversify its economy. Several new deals have also bolstered local markets, including Saudi Arabia's plan to build a \$3.3 billion sports complex through a partnership between Alpha Jossor Investments and the UK-based Blockchain Sports Ecosystem. Additionally, non-oil exports surged 19% year-over-year, reaching SAR 25.4 billion in July, according to the General Authority for Statistics.





Recent Developments in Financial Sector

Mohammed Al-Khuwaiz, President of the CMA, noted that algorithmic trading now accounts for 25% of transactions in the Saudi capital market, highlighting the growing role of digitization. This trend aligns with Finance Minister Mohammed Al-Jadaan's observation that venture investments in fintech companies reached SAR 7.1 billion (USD 1.9 billion) by the end of Q2 2024, reflecting the sector's rapid growth. As part of its strategy to expand fintech solutions and promote financial inclusion, SAMA signed an agreement with Samsung to launch Samsung Pay in Saudi Arabia by Q4 2024. Additionally, SAMA approved three fintech startups—XSquare and NeoTek for an open banking platform, and MoneyMoon for a peer-to-peer lending platform—to test their solutions in its regulatory sandbox.

Global Data: As
End Of: 4-Oct-24

Saudi Market
Data: As End Of: 5-Oct-24

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
World	DJIM World TR	10,917.50	(0.6)	18.1	32.8	23.7	7.7	14.1	11.2	19.7	(24.2)	27.0	(26.4)
Developed	DJDEV TR	6,266.57	(0.7)	17.9	33.0	24.4	8.6	14.9	11.8	23.0	(24.2)	29.4	(29.6)
Emerging Markets	DJEMG TR	5,577.31	0.8	20.0	30.9	16.2	(1.1)	7.0	5.5	(4.7)	(24.2)	6.4	8.5
Saudi	TASI	11,957.54	(2.2)	(0.1)	10.3	0.8	1.1	8.6	1.0	27.9	(6.4)	14.2	(26.7)
NAREIT	All REITS (EM Inc) TR	3,245.31	(1.9)	10.3	30.5	12.3	0.0	1.3	4.6	23.0	(23.6)	9.8	(12.2)
GSCI	All Commodities	557.37	4.6	4.1	(3.9)	(6.8)	(0.8)	6.9	(0.1)	37.1	8.7	(12.2)	(26.5)
Currencies	Euro	1.10	(1.4)	(0.6)	4.5	4.8	(1.9)	(0.0)	(1.3)	(6.9)	(5.8)	3.1	11.3
	Yen	148.70	(3.4)	(5.2)	0.3	(1.5)	(9.3)	(6.4)	(3.0)	(10.3)	(12.2)	(7.0)	44.0
	GBP	1.31	(1.9)	3.1	8.1	6.9	(1.2)	3.0	1.2	(1.0)	(10.7)	5.4	4.2

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