

EYES ON MARKETS

GLOBAL MARKETS

We remain confident in the underlying strength of the current cycle. Although the Delta drag is still present, available data confirm the effectiveness of vaccines in limiting deaths and hospitalizations. As the pace of vaccinations picks up in Asia and Australia, the case for a growth lift in Q4 looks improving.

Persistent supply constraints are the greatest immediate threat to growth. Delivery times and transportation costs are still hovering near record highs. Last week's US employment report also points to labour supply constraints. These drags should fade over time, accompanied by an inventory rebuilding.

We believe that the direction of the cycle is more important than monetary tightening, tapering, or valuations levels, as an upturn doesn't necessarily end when Central banks start to raise interest rates or to shrink their balance sheet. The negative impact of rising rates is often outweighed by a strengthening earnings cycle, especially in this cycle where short rates may not rise for at least another year. Pullbacks appear to be buying opportunities.

Currently elevated valuations are not yet stretched enough to represent a threat to equity markets. As the world emerged from the pandemic, the "P" ran ahead of the "E", pushing PEs to a 20-year high of 21.2x as of end-2020. The rebound in earnings anticipated by record upward revisions has caused the PE to fall to 19.6x (a 7.5% multiple's compression).

While retaining our cautiously pro-risk stance, we have recently upgraded EM equities back to Neutral on valuations grounds at the expenses of DM cyclicals – which have begun to incorporate most good news – as China policy downside risks seem to have been largely priced in at a time when the US Dollar appears to have peaked. Shorter-term risk: US debt ceiling leading to temporary government shutdown in October and causing some issuance-related volatility in the US Treasury market amid Congress infighting.

REGIONAL MARKETS

YTD S&P Shariah GCC Total Return Index (SPSHGT) was up 34.52% wherein Saudi Arabia and Kuwait were the outperformers i.e. up by 38.1% and 36.1% respectively. Oman, Qatar, Bahrain and UAE were the under-performers generating returns of 4.0%, 10.3%, 21.8% and 34.2% respectively.

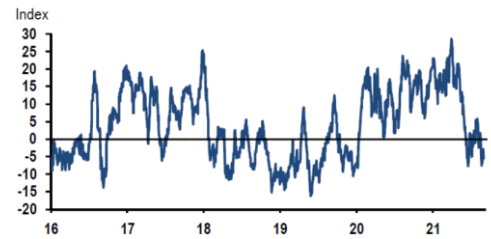
S&P Saudi Shariah SAR Total Return Index (SPSHART Index) increased YTD by 38.1% as cumulative inflows in the Net Foreign Portfolio Investment (NFPI) exceeded at USD4.4bn. Local cement sales recorded 5.7% YoY growth YTD, PMI for August 2021 declined to 54.1 from 55.8 in July, banking deposits grew 11.1% YoY in July 2021 vs 10.2% in June 2021, inflation decreased to 0.3% in August vs 0.4% in July and value of POS + ATM transactions per terminal decreased by 19.8% YoY in July vs -34.5% in June. Construction materials prices go up as much as 40% in July and Aramco decided to split gas business to prepare for hydrogen future. 2Q 2021 GDP figures were revised up to 1.8% from 1.5%.

YTD GCC markets mainly UAE, Qatar and Kuwait registered USD3,307mn worth of inflows from NFPI. Business activity in Dubai was almost unchanged in August, with a Purchasing Managers' Index compiled by IHS Markit at 53.3 vs 53.2 in July. However, output rose to 57.7 vs 55.8 in July. 1H 2021 registered strong pick up in hospitality and realtor segments, while Central Bank issued new guidance to hawala providers and financial institutions. Oman adjusted electricity tariffs to ease burden on citizens and IMF said that Oman's economy is likely to expand by 2.5% in 2021. Qatar recorded budget surplus in 2Q21 and cabinet approved 100% FOL for four banks. Kuwait recorded a budget deficit of KWD10.8bn (USD35.5bn) for fiscal year 2021 and total loans increased 3.5% YoY in July, while in Bahrain government revenues surged 23%.

Brent decreased by 4.0% in August, while MSCI Emerging Market Index inched up by 1.0% and MSCI World Index registered +1.7% return. 2Q 2021 corporate results culminated during the month depicting 21% QoQ and 247% YoY growth respectively with Beats / Miss ratio at 1.08. Market was also influenced by the news item that due to float adjustment arising from GOSI-PPA merger MSCI and FTSE would record USD1.2bn outflows from Tadawul large caps.

We are now in the mid of 3Q 2021 and slowdown is not so pronounced but prices of commodities and equities front loaded the recovery so now expected pull back in economic numbers in 4Q 2021 may not reflect an amplified action rather consolidative mood may prevail. As we move towards October chances of a southwards correction in commodities is inevitable as supply-side shock dampens so petrochemical sector may come under pressure while banking is likely to post strength as mortgages pick up after the summer slowdown. Moreover, back-to-school is a positive for some retailers but generally retail is under the woods till VAT and 2020 base effect is mitigated by 2Q 2022.

Global Growth – As Un-Expected



Source: (JPMorgan)

Global Equities – "E" Ahead Of "P"



Source: Bank of America Merrill Lynch

Earnings Revisions



Source: Bank of America Merrill Lynch

GLOBAL MARKET INDICES

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2018 (%)	2019 (%)	2020 (%)
World	DJIM World TR	9308.1	(0.4)	15.9	32.1	28.1	19.8	18.0	13.7	(7.0)	30.9	28.2
Developed	DJIDEV TR	5199.9	(0.6)	17.9	34.1	28.6	20.3	18.5	14.4	(6.1)	31.6	27.4
Emerging Markets	DJIEMG TR	6148.4	0.9	1.6	17.7	24.3	16.3	13.9	7.8	(15.0)	22.7	35.3
Saudi	TASI	11342.9	0.2	29.5	39.4	20.2	14.1	12.9	6.5	8.3	7.2	4.4
NAREIT	All REITS (EM Inc) TR	3341.5	(1.7)	17.3	29.7	6.0	7.7	6.2	8.3	(5.5)	23.6	(9.2)
GSCI	All Commodities	531.4	0.8	29.8	56.4	13.8	4.7	8.4	(2.1)	(15.4)	16.5	(6.1)
Currencies	Euro	1.1814	0.0	(3.3)	(0.0)	3.4	0.6	1.0	(1.4)	(4.5)	(2.2)	8.9
	Yen	109.94	0.1	(6.1)	(3.5)	(1.1)	0.4	(1.4)	(3.4)	2.7	1.0	5.2
	GBP	1.3839	0.6	1.2	8.1	5.9	2.0	1.2	(0.4)	(5.6)	3.9	3.1

Source: Global Data as end of 10 Sep 2021. Saudi Market Data as end of 12 Sep 2021.

* 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.

21C75