



EYES ON MARKETS

GLOBAL MARKETS

We maintain our cautious positioning, expect more turbulence ahead in H1 2023, but greater opportunities in H2 as valuations trough.

Stronger than expected economic data increases the prospect of a cycle extension.

The bond market has begun to price "higher for longer" whereas equity valuations and earnings have yet to reflect worsening financial conditions.

Prompting tighter monetary policy which are sending warning signs.

Non-US assets are benefiting from favorable valuation, under-allocation and narrowing interest rate differential.

Geopolitical risks (US-China, Ukraine War) remain a major concern.

REGIONAL MARKETS

SPSHDSLTL decreased by 6.56% as cumulative inflows into the Net Foreign Portfolio Investment (NFPI) for the month were more than USD231mn. Local cement sales recorded 8.2% YoY decrease in January 2023 vs 6.2% in December 2022 although mortgages recorded 31% MoM increase but still were 30% below YoY while progress on large projects slowed down due to seasonal factors. PMI for February 2023 increased to 59.8 vs 58.2 in January 2023, while banking deposits grew 8.7% YoY in January 2023 vs 9.1% in December 2022, inflation increased to 3.4% in January 2023 vs 3.3% in December 2022. Value of POS + ATM transactions per terminal decreased by 21% YoY in January 2023 vs 19.8% decline in December 2022. Mortgages sales amounted to SAR8.7bn in January 2023 vs SAR6.6bn in December 2022. Saudi Arabia's oil export value for December 2022 climbed 11.1% YoY to SAR85.5bn and Industrial investments rose by SAR32.03bn (USD8.54bn).

In terms of reforms, Ministry of Foreign Affairs launched an electronic service to issue 4-day transit visa for passengers on stopover.

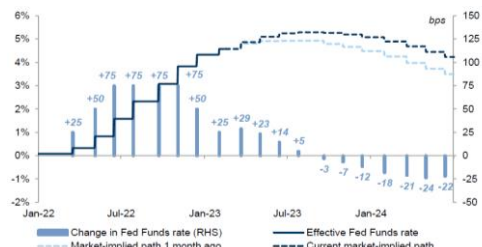
A new real estate rental law took effect, which aims to regulate state leasing of real estate and complete merger of the General Authority of Zakat and Tax (GAZT) with the General Authority of Customs was announced to be completed by the end of 1Q2023. Last but not the least, Saudi bourse disclosed that 23 new companies are lined up for IPO in 2023.

In terms of key developments, OPEC+ decided to maintain oil output at current levels i.e., cutting production by 2MBPD till end 2023. The Public Investment Fund (PIF) entered into a joint venture agreement with US-based company AeroFarms for establishing indoor vertical farms in Saudi Arabia. Moreover, PIF subsidiary AIUla Development Co. launched its development efforts for AIUla City, it also invested USD1.3bn in 4 local construction companies and USD5.5billion second green bond tranche sale was announced. Saudi Arabia issued 4,358 investment licenses in 2022, up 53.9% YoY, Meta Platforms - parent company of Facebook - launched MENA's first metaverse academy in Saudi Arabia. Cigna Worldwide Insurance Company obtained branch license from the Saudi Central Bank to operate as a medical insurer and number of mining complexes in Saudi Arabia reached 337 as at end 2022. The Crown Prince launched New "Murabaa" Development Co (NMDC) to develop the downtown Riyadh while improving the quality of life through healthy, active, sustainable, and green lifestyles.

Brent recorded -0.7% movement in February 2023, MSCI Emerging Market Index decreased 6.5%, MSCI World Index registered 2.5% decrease, and Bloomberg Commodity TR Index declined 4.7%. US inflation data for January surprised on the up as expected MoM run rate was 0.3% while the actual came around 0.8%. The extraordinary increase can be attributed to two consecutive months of disinflation i.e. November and December. Employment data and confidence numbers confirmed that no recession is expected in 1Q 2023.

Going forward, we believe that US inflation will maintain MoM run rate of 0.3% which means by April FED may have to choose between positive or negative real interest rates. Oil prices are expected to hold up as OPEC+ is successfully mitigating any over-supply situation. US FED is likely to decide in favor of negative real interest rates before December 2023 and markets would respond positively. Therefore, we believe that TASI will test 12300 levels before year end.

US Short term rated expectation based on 30-day Fed Fund Futures



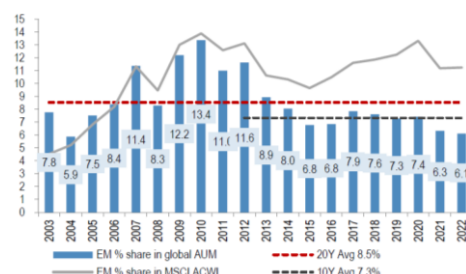
Source: Haver Analytics, Goldman Sachs Global Investment Research

S&P Earning yield minus US treasury YTM



Source: Bloomberg, Morgan Stanley Research

Emerging Market share as % of Global AUM



Source: EPFR Global, Bloomberg Finance L.P., J.P. Morgan



GLOBAL MARKET INDICES

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)
World	DJIM World TR	5,854.76	0.9	5.4	(4.5)	(1.3)	9.3	7.9	9.3	(2.9)	28.2	19.7	(24.2)
Developed	DJIDEV TR	5,780.45	0.9	5.8	(3.9)	(3.9)	10.3	10.3	9.9	(2.4)	27.4	23.0	(24.2)
Emerging Markets	DJIEMG TR	4,347.83	3.0	(0.7)	(19.0)	5.4	15.0	6.9	4.0	4.4	27.9	(6.4)	(19.4)
Saudi	TASI	7,304.05	3.0	(0.7)	(19.0)	5.4	15.0	6.9	4.0	(6.4)	4.4	27.9	(6.4)
NAREIT	All REITS (EM Inc) TR	6,772.36	(0.9)	3.2	(14.4)	(2.9)	(2.4)	1.5	2.9	(4.4)	(9.0)	26.1	(25.1)
GSCI	All Commodities	2,356.12	(0.9)	(1.7)	(12.2)	2.7	3.2	6.4	0.9	(6.1)	(9.0)	26.1	(25.1)
Currencies	Euro	1.18	(0.9)	(4.5)	(15.8)	(11.0)	(8.5)	(5.0)	(3.5)	(4.5)	5.2	(10.3)	(12.2)
	Yen	1.05	(1.5)	(2.0)	(9.6)	(7.4)	(3.2)	0.2	0.1	(2.8)	3.1	(1.0)	(10.7)
	GBP	0.94	(0.3)	(0.9)	(9.2)	(3.2)	(0.1)	(1.8)	(1.1)	(2.6)	6.7	2.7	(7.9)

Source: Global Data as end of 08 March 2023. Saudi Market Data as end of 08 March 2023.

*All values beyond 1 year are annualized

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