Global Markets

The long-anticipated month finally arrived, bringing significant developments. November was marked by the U.S. elections and the Federal Reserve's decision to cut the benchmark interest rate by a quarter percentage point, creating a boost to economic activity. Equities experienced a turbulent month, starting strong as major U.S. stock indexes recorded their best week in 12 months, with gains of nearly 5% to 6%, reaching new record highs early in the month, but stocks dipped mid-November before ultimately ending the month on a positive note. Additionally, as nearly all Q3 2024 earnings reports were published, S&P 500 companies are projected to post an average year-over-year earnings growth rate of 5.8%. Flash PMIs for November highlighted uneven global growth trends: the U.S. composite PMI signaled accelerating expansion, while the euro area PMI reflected shrinking activity, reaching a 10-month low. Meanwhile, U.S. 10-year Treasury yields remained steady at 4.41%, hovering near their six-month peak. Finally, oil prices saw notable fluctuations. After dropping nearly 5%, U.S. crude rebounded more than 6% the following week due to escalating geopolitical tensions.

SEDCO Capital maintains an overweight position in U.S. equities, quality companies, and technology sectors to capitalize on pro-business policies and expected deregulation. The firm has adopted a negative outlook on European equities due to weak growth and structural challenges, while tactically upgrading Sukuk to neutral for their attractive yields in a low-rate environment. A neutral stance on Emerging Markets reflects caution over U.S. tariffs, balanced by Chinese stimulus and appealing valuations. Despite market rebounds, the firm remains cautious of over-optimism.

Large cap to small cap

Small caps continued to surge in the wake of the elections, as the Russell 2000 posted a strong 4.5% weekly gain in the last week of the month, recovering from its mid-month losses and ending the month at nearly 10% MTD return.

Understanding China in the Age of Trump

Trump's re-election is widely expected to deepen political divisions and escalate social unrest, significantly heightening market uncertainty. He has consistently advocated for imposing broad-based tariffs of 10% or 20% on all U.S. imports and up to 60% on Chinese imports, aiming to strengthen American manufacturing. Meanwhile, attention has shifted to China's National People's Congress Standing Committee as it considers measures to stabilize the economy. Key proposals include raising the local government debt limit to restructure hidden debts and issuing special national bonds to support critical sectors like technology and real estate. While the market awaits further details from upcoming meetings in December and beyond, recent fiscal initiatives provide a temporary buffer against current market volatility, offering some stability until new policies are unveiled. To effectively navigate the risks of a global recession and industry impacts stemming from Trump's potential policies, companies must remain strategically agile and leverage China's strengths within the global supply chain to ensure sustainable growth.

Regional Markets

Saudi Arabia's Economic Surge and Credit Upgrade

Saudi Arabia's real GDP grew by 2.8% in Q3 2024, marking its first positive growth in over a year, according to GASTAT. This rebound was driven by a 0.3% expansion in the oil sector, as the effects of previous production cuts normalized. Non-oil GDP remained robust, growing 4.2%, slightly slower than the 4.9% recorded in the previous quarter, while government activities saw solid growth of 3.1%. The consistent +4% growth in non-oil sectors over two consecutive quarters highlights their resilience. In parallel, Moody's upgraded Saudi Arabia's credit rating to Aa3 for both local and foreign currencies, with a stable outlook. This upgrade reflects the Kingdom's successful economic diversification and strong growth in its non-oil sectors, which reduce reliance on oil and mitigate risks associated with the global transition away from carbon.

From Global to Local: PIF's New Strategy

Saudi Arabia's Public Investment Fund (PIF) plans to reduce its foreign portfolio investments from 30% to 18-20%, shifting focus to domestic markets. Despite this proportional decrease, the fund's foreign investments will grow in absolute value alongside its expanding assets under management. Meanwhile, Saudi Arabia has surpassed its Vision 2030 target for regional headquarters, attracting 540 companies, ahead of its 500-company goal. These efforts reflect the Kingdom's strategy to drive domestic growth, diversify its economy, and solidify its role as a regional business hub.

Global Market Indices

Global Data: As End Of:	**4-Dec-24**
Saudi Market Data: As End Of:	**4-Dec-24**

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2021 (%)	2022 (%)	2023 (%)
World	DJIM World TR	11,267.52	1.9	21.8	27.9	20.9	7.0	13.5	11.1	19.7	(24.2)	27.0
Developed	DJIDEV TR	6,515.39	1.8	22.5	28.8	22.1	7.9	14.4	11.8	23.0	(24.2)	29.4
Emerging Markets	DJIEMG TR	5,340.02	2.6	14.9	19.2	9.1	(2.1)	5.1	5.2	(4.7)	(24.2)	6.4
Saudi	TASI	11,886.86	2.1	(0.7)	6.2	5.3	3.0	8.6	3.1	27.9	(6.4)	14.2
NAREIT	All REITS (EM Inc) TR	3,151.89	(1.4)	7.2	14.3	7.1	(1.8)	0.5	3.4	23.0	(23.6)	9.8
GSCI	All Commodities	535.17	(0.1)	(0.1)	(1.5)	(6.5)	0.6	5.0	1.1	37.1	8.7	(12.2)
Currencies	Euro	1.05	(0.6)	(4.8)	(3.0)	(0.1)	(2.4)	(1.0)	(1.6)	(6.9)	(5.8)	3.1
	Yen	150.59	(0.5)	(6.3)	(2.2)	(5.6)	(9.2)	(6.3)	(2.3)	(10.3)	(12.2)	(7.0)
	GBP	1.27	(0.3)	(0.2)	0.5	1.7	(1.4)	2.3	0.9	(1.0)	(10.7)	5.4