



EYES ON MARKETS

GLOBAL MARKETS

The U.S. stock market had a remarkable start to the year, boasting its 21st best first-half performance since 1900. The US markets are currently in a favorable position compared to other developed markets, driven by positive macroeconomic data and strong momentum, as indicated by our business cycle model. This optimism is further supported by the high probability of two rate cuts before the end of 2024. In this uncertain macroeconomic and geopolitical setting, increased adaptability to shifting market dynamics is essential. Even if rate cut expectations are delayed, private equity remains a promising avenue for enhanced performance, with implementation selection and governance being crucial for long-term success.

Nvidia's share price recently dropped 18% between June 18th and June 24th, losing \$550 billion in market value. Though it has partially recovered, it remains 12% below its mid-June peak. AI remains a key theme, with leading tech company valuations rising sharply. The top five US mega-cap tech stocks trade at 8x EV/Sales, compared to 3x for the median S&P 500 stock. The "concentration conundrum" highlights significant risks due to growing stock concentration in the S&P 500, where the top 10 companies hold the highest weight since 1929. ETF flows are concentrated in the US, amplifying potential disappointments. However, a substantial amount of money in money market funds could shift if the Fed cuts rates.

Towards the end of June, the value of Japan's currency relative to the U.S. dollar fell to its lowest level since 1986. The yen has been steadily depreciating since the Bank of Japan ended its negative interest-rate policy and scrapped its yield curve control policy in March 2024. Investors expect the pace of Japan's stock market rally to slow in the second half of 2024, increasing the risk they will shift more money to rival markets. Concern over the yen's continued weakness is weighing on Japan's market sentiment.

The snap elections in France, imminent UK elections, and President Biden's underwhelming performance potentially paving the way for Donald Trump's return in the US signal a significant turning point for the global economy. With expectations for US interest rate cuts in 2024, political developments are likely to dominate headlines over macroeconomic indicators. The market environment is further complicated by geopolitical tensions and the influence of artificial intelligence. In this context, adopting flexible investment strategies and diversifying through uncorrelated non-traditional asset classes, while employing matrix optimization to manage risk, should be key components of long-term investment strategies.

REGIONAL MARKETS

SPSHDSLTL has increased +2.3% for the month of June as well as TASI up +1.5% picking up from the decline earlier in May. Brent recorded a +5.9% increase in June 2024, while the Bloomberg Commodity Index decreased by -1.9%. Contrastingly, the Dow Jones Islamic World Index was up by +4.2% similarly in line with the positive direction of the MSCI World Index up +1.9%. Q1 2024 results concluded with 9% YoY growth excluding ARAMCO. It furthered the expectation of improved results in 2024 due to aggregate economic environment coupled with low base effect, especially in the context of petrochemicals for 2H 2024.

This month, Siemens Energy signed a USD 1.5 billion deal to supply components and maintain two gas-fired power plants in Saudi Arabia for 25 years. Saudi Arabia opened the fifth round of its Sah savings product, offering a 5.55% return on the Shariah-compliant sukuk from June 23 to 25, with redemptions within a year. Additionally, Saudi Global Ports (SGP) signed a SAR 7 billion (USD 1.87 billion) agreement with China's SANY to enhance green operations at King Abdulaziz Port in Dammam, marking the world's largest single contract for electric trucks. Furthermore, the Government of Saudi Arabia and Saudi Aramco announced a secondary public offering of 1.545 billion shares, representing 0.64% of the company. The final offer price for institutional and retail investors is SAR 27.25 per share.

Saudi Arabia's real GDP contracted annually by 1.8% in 1Q24, wherein non-oil GDP slowed down to 2.8%, from 4.2% in 4Q23. Simultaneously, as per World Bank real GDP is expected to grow 2.5% in 2024, driven primarily by 4.8% growth in non-oil private sector. Moody's raised Saudi Arabia's local and foreign currency rating to 'Aa1', from 'Aa2', citing increased predictability of the government's decision-making processes affecting the private sector. Additionally, car imports in 2023 hit 93,199 reflecting 40% YoY growth, Saudi National Housing Co. and China Machinery Engineering Corp. signed a deal to build 20,000 residential units, Government announced to host a round of the world rally championship from 2025 as part of a 10-year agreement and DP World announced USD250million investment to build a distribution center at the Jeddah Islamic Port.

The KSA Capital Market Authority (CMA) plans to list 24 companies and increase Assets Under Management (AUM) to 29.4% of GDP by December 2024, targeting 17% ownership of free float shares to attract foreign investment. The government aims for 90% poultry self-sufficiency by 2030 and has increased ICT

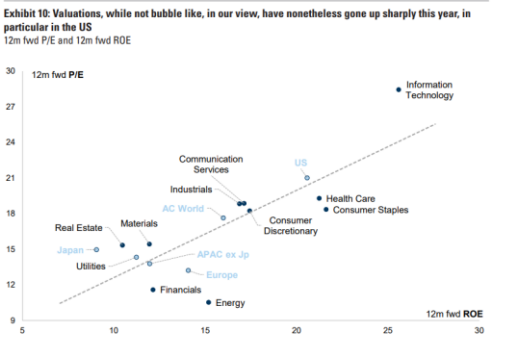
spending to USD 11.2 billion in 2023, a 20% YoY rise. Additionally, Saudi Arabia improved its global tourism ranking, climbing nine spots to 41 on the WEF's Travel and Tourism Development Index. National-level project announcements and updates will keep the local market engaged in mid to small caps, while banks are expected to show real progress starting from Q3 2024, and petrochemicals may see an uptick from Q4 2024 onwards. Consequently, we have revised the year-end TASI target to 13,800.

US PE QoQ Internal Rate of Return



Source: Neuberger Berman

Valuations of Leading Technology Companies



Source: Goldman Sachs



GLOBAL MARKET INDICES

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
World	DJIM World TR	10,548.34	0.7	14.1	21.8	20.5	5.5	13.1	10.4	19.7	(24.2)	27.0	14.1
Developed	DJIDEV TR	6,099.08	0.8	14.7	22.7	22.4	7.0	14.1	11.0	23.0	(24.2)	29.4	14.7
Emerging Markets	DJIEMG TR	5,001.61	(0.3)	7.6	13.1	4.3	(7.7)	4.2	4.0	(4.7)	(24.2)	6.4	7.6
Saudi	TASI	11,606.09	(0.6)	(3.0)	1.0	0.4	1.9	5.6	1.8	27.9	(6.4)	14.2	(3.0)
NAREIT	All REITS (EM Inc) TR	2,838.64	(0.2)	(3.5)	4.8	(0.1)	(4.7)	(0.9)	2.6	23.0	(23.6)	9.8	(3.5)
GSCI	All Commodities	584.45	1.0	9.1	8.1	(9.9)	2.6	7.1	(1.1)	37.1	8.7	(12.2)	9.1
Currencies	Euro	1.07	0.3	(2.7)	(1.5)	1.6	(3.3)	(1.0)	(2.4)	(6.9)	(5.8)	3.1	(2.7)
	Yen	161.44	(0.3)	(12.6)	(10.6)	(8.5)	(11.7)	(7.7)	(4.5)	(10.3)	(12.2)	(7.0)	(12.6)
	GBP	1.27	0.3	(0.4)	(0.1)	2.4	(2.8)	1.8	(0.2)	(1.0)	(10.7)	5.4	(0.4)

Source: Global Data as end of 02 July 2024. Saudi Market Data as end of 02 July 2024.

*All values beyond 1 year are annualized

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