

CAPITAL MARKET OVERVIEW

Saudi
Exchange

SECOND QUARTER 2022

www.saudiexchange.sa



FOREWORD

Capital markets around the world are navigating a period of volatility marked by inflation, rising food and fuel costs.

The Saudi capital market has not been immune to the struggles impacting the global economic system. However, despite significant global economic headwinds, Saudi Arabia showed encouraging signs of strength and resilience during the second quarter of 2022. Notably, Saudi Arabia's inflation rate is among the lowest in the world.¹

At a market level, we are seeing cause for optimism, despite a slight decline in overall market performance. In Q2 2022, whilst the Saudi Exchange saw the value of equities traded on the Main Market decrease from the previous quarter, the daily average number of trades increased by 5.29% from the previous quarter.

Meanwhile, the total size of issuance of sukuk and bonds grew 4.99% from Q1 2022, however trading activity decreased from the previous quarter.

The Saudi capital market also experienced encouraging trends relating to foreign participation. The value traded by Qualified Foreign Investors (QFIs) on the Saudi Exchange grew to SAR 174 billion in the second quarter, up from SAR 132 billion in the first quarter of 2022.

The overall stability of our capital market at a moment of high economic volatility is a clear signal of our strength. We have achieved this stability through our focused efforts to bolster the infrastructure of our capital market and continue to adapt and innovate in the wake of ongoing changes across markets and economic ecosystems.

This quarter, we continued to advance our capital market by broadening access and opportunity.

In May, Edaa, the Securities Depository Center Company, announced the activation of its linkage with Euroclear, the Brussels-based international central securities depository. The linkage is an important milestone in our work to increase access to the Saudi capital market and enhance our standing among international peers. Importantly, the linkage will further increase liquidity in the market.

At the end of June, the Saudi Exchange announced its intention to launch Single Stock Futures, the Exchange's second derivatives product. In this report, Sree Kumar, the Saudi Exchange's Chief of Derivatives, speaks about how this new product benefits buyers, sellers, and companies as well as increases stability and liquidity in the equity market.

Despite global market headwinds, the Saudi capital market has developed significant forward momentum. I am confident in our ability to continue to grow and develop a leading capital market as the gateway to the MENA region. As an organization, the Saudi Exchange is committed to increasing the stability and transparency of our capital market, which will yield significant long-term benefits for local and international investors and issuers alike.

Read on to learn more about the Saudi Exchange's performance in Q2 2022 and our continued efforts to fortify our capital market infrastructure and enhance our offering.

Mohammed Al Rumaih
CEO of Saudi Exchange

¹ <https://www.weforum.org/agenda/2022/06/inflation-stats-usa-and-world/>



Q2 KEY HIGHLIGHTS

SAUDI CAPITAL MARKET

8.25

BILLION SAR
(2.2 BILLION USD)

Average daily value traded during Q2 2022

4.99%

The Q-on-Q growth in the total size of issuance of sukuk & bonds, with 473 trades in Q2

284

BILLION SAR
(75.59 BILLION USD)

Holding value of Qualified Foreign Investors at the end of Q2 2022



The Saudi Arabian Economic Overview

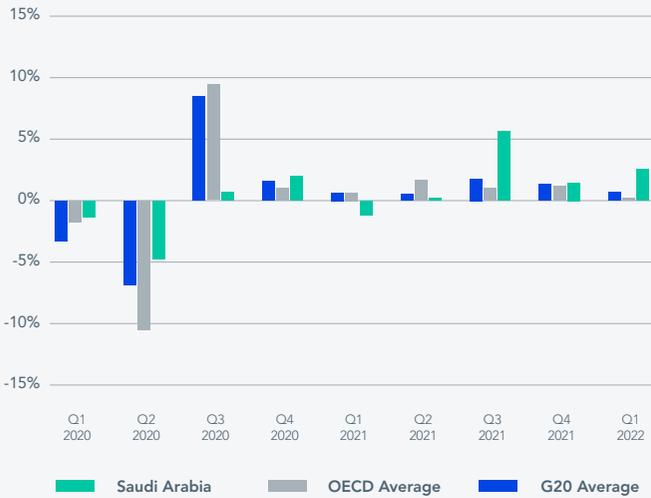
(Based on data available at the time of publication)

In the beginning of 2022, Saudi Arabia carried forward the economic growth it experienced throughout much of 2021, with most significant economic indicators continuing to improve. With business and investor confidence broadly rebounding both internationally and domestically as the world exits the worst of the pandemic, the Kingdom continues to benefit from added momentum in government sector output and non-oil private sector growth. Saudi Arabia's GDP grew by 2.60% in the first quarter of 2022, over three times as large as the G20 average of 0.70% GDP growth and more than nine times that of the OECD average of 0.27% GDP growth.

Concurrently, the unemployment rate decreased, dropping from 11% in Q4 2021 down to 10.10% in Q1 2022. The beginning of the decline of unemployment should allow for an uptick in domestic demand, although this is likely to be constrained by inflation, which has continued its upward trend into 2022. After starting the year at 1.2% in January, the inflation rate rose to 1.6% in February, before creeping up further to 2.0% in March, at the end of Q1. It has remained more stable in Q2—rising to 2.3% in April and then dropping slightly to 2.2% in May, before returning to its previous level of 2.3% in June.

Saudi Arabia will look to continue the positive economic momentum seen at the start of this year deeper into 2022, with Q1 serving as an early, positive indicator of the Kingdom's sustained recovery from the economic impact of the pandemic.

GDP GROWTH Q-ON-Q



SOURCE: GDP AND SPENDING - QUARTERLY GDP - OECD DATA

SAUDI NATIONALS' UNEMPLOYMENT RATE Q-ON-Q



SOURCE: GENERAL AUTHORITY FOR STATISTICS (STATS.GOV.SA)

INFLATION RATE M-ON-M



SOURCE: INFLATION RATE (SAMA.GOV.SA)



Market Enhancements

Saudi Exchange announces its intention to launch Single Stock Futures (June 2022)

Single Stock Futures (SSF) contracts, available to trade as of July 4, 2022, are the Saudi Exchange's second derivatives product introduced to the market and an indication of the increased sophistication of the Exchange's offering. SSF contracts are standard futures contracts with an individual stock as its underlying asset. The underlying stocks were selected based on a list of criteria to ensure market interest and liquidity. The contracts enable investors to hedge and manage portfolio risks more effectively and limit loss in adverse market conditions.

Muqassa launches REPO Clearing Service (April 2022)

Muqassa's Repurchase Agreement (REPO) Clearing Service is a form of short-term borrowing available to General Clearing Members and investors. The new service helps to mitigate risk, increase transparency, and shift liquidity from unsecured to secured lending markets at lower costs. Additionally, REPO clearing facilitates access to liquidity for market participants with improved operational efficiencies while reducing overall market risk.

Edaa announces the activation of linkage with Euroclear (May 2022)

Edaa's linkage with Euroclear, the Brussels-based international central securities depository, provides a channel through which international investors can access the Saudi Exchange's sukuk and bond market. Euroclear's eligible international investors can settle domestically issued bonds through a direct nominee account in Edaa without applying for QFI status. With the linkage active, Euroclear investors can benefit from a range of services, such as international settlement, and trade and safe keeping of Saudi government and quasi-government bonds listed on the Exchange.



Derivatives Leadership Insights



In 2020, the Saudi Exchange launched its derivatives market with the aim of diversifying its investment offering and developing a more robust market experience for international and local investors. The first derivatives product that the Exchange launched was MT30 Index Futures, an index futures contract based on the MSCI Tadawul 30 Index.

In June 2022, the Saudi Exchange announced the expansion of its derivatives offering with the launch of its second derivatives product, Single Stock Futures (SSF), which subsequently went live in July.

Sree Kumar, the Saudi Exchange's Chief of Derivatives, shares insights on SSF and the benefits they create for market participants.

Why has Saudi Exchange launched Single Stock Futures?

The launch of SSF is part of our long-term plan to develop the Saudi derivatives market in line with Vision 2030's Financial Sector Development Program, which seeks to establish an advanced capital market. The Saudi capital market is comprised of diverse companies with strong potential, and SSF are a relatively low risk and low-cost mechanism for gaining exposure to the market. We believe that the launch of SSF will further attract international investors and increase liquidity flows to the equity market.

How will the launch of Single Stock Futures benefit the wider Saudi capital market?

SSF trading yields a broad array of benefits that we believe will enhance the experience for existing market participants and draw new investors to our market. As an investment tool, SSF provide cost effective exposure to an underlying asset by paying a percentage of the notional value of a contract, rather than paying 100% of a share price, as is the case in stock trading. Furthermore, the product can help companies avoid significant losses in adverse market conditions. Unlike index futures contracts, SSF allow investors to develop a strategy around individual company stocks rather than a basket of stocks.

All the above helps SSF trading ultimately enhance liquidity flow to the equity market and this in turn will increase the overall attractiveness of the Saudi capital market.

What is the future of the Saudi derivatives market, following the launch of Single Stock Futures?

Through products like our new SSF contracts, we continue to deliver on our commitment to provide a sophisticated and innovative range of products and services to local and international investors.

Following the launch of SSF, we plan to introduce additional derivatives products such as Single Stock Options.

What else can we expect in terms of market enhancements for the Saudi derivatives market?

Derivatives provide local and international investors with risk management tools, such as hedging, as well as broader investment options to gain exposure to the Saudi market. Since the launch of the derivatives market in 2020, we have constantly assessed options to enhance the market in line with our broader goal of creating a sophisticated infrastructure for market participants, with a view to attract international investors. Further enhancements will build on these goals, and we look forward to providing updates in due course.



Equities

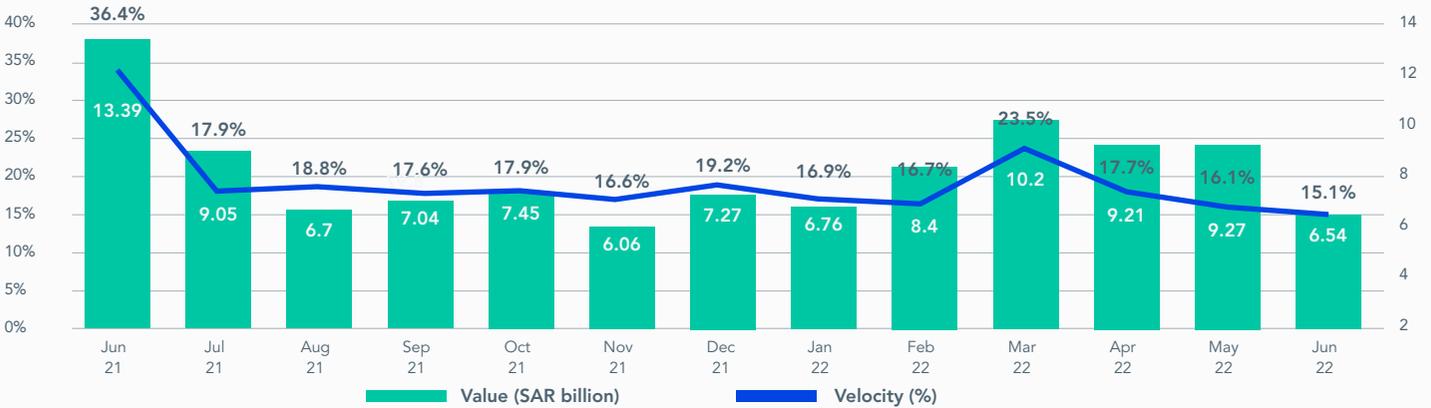
The Saudi Exchange's Main Market and Nomu – Parallel Market declined in Q2 2022. The total value traded on Saudi Exchange's Main Market decreased by 8.81% compared with the previous quarter, and the total value traded on the Nomu-Parallel Market decreased by 71.30%. Still, the daily average number of trades on the Main Market grew by 5.29% compared with the previous quarter, rising to an average of 388,894.23 trades a day.

The Nomu – Parallel Market continued to grow in terms of total listings, adding six new listed companies in Q2 2022 to bring its total to 31.

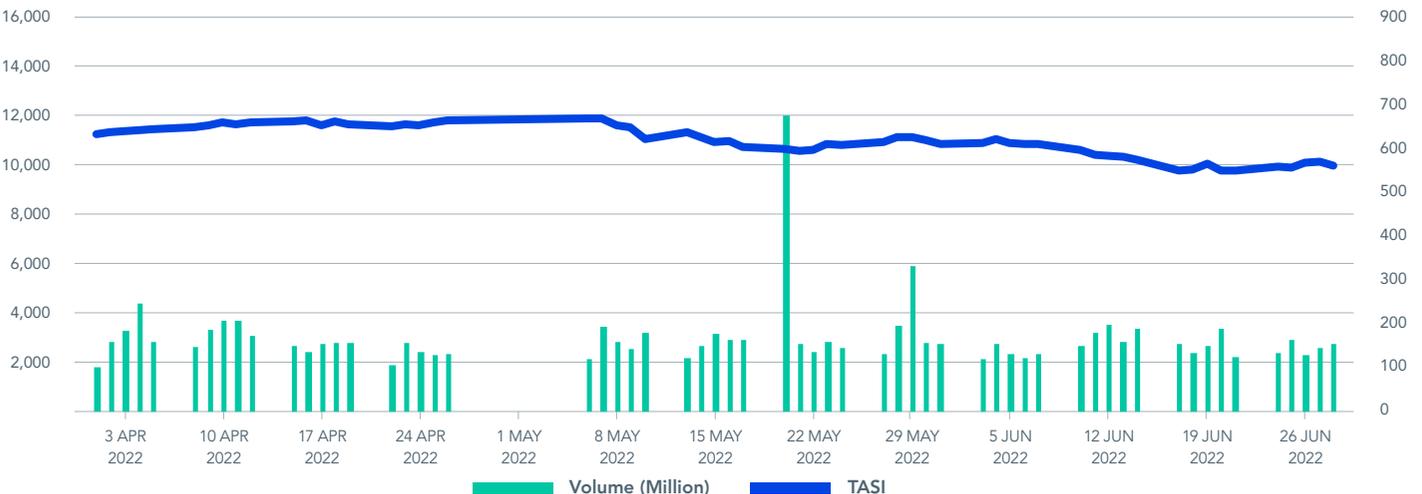
Main Market - Q2 2022		Nomu - Parallel Market - Q2 2022	
11.44 trillion (4.34%) ↓ Market capitalization (SAR)	494.97 billion (8.81%) ↓ Value traded (SAR)	34.63 billion (10.10%) ↓ Market capitalization (SAR)	2.04 billion (71.30%) ↓ Value traded (SAR)
215 Listed Companies	11,523.25 (11.97%) ↓ Tadawul All Share Index (TASI) Closing	31 Listed Companies	21,585.08 (13.69%) ↓ Parallel Market Capped Index (NomuC) Closing

During the second quarter of 2022, all GCC indexes ended the quarter in a weaker position than they started.

AVERAGE DAILY VALUE TRADED & VELOCITY



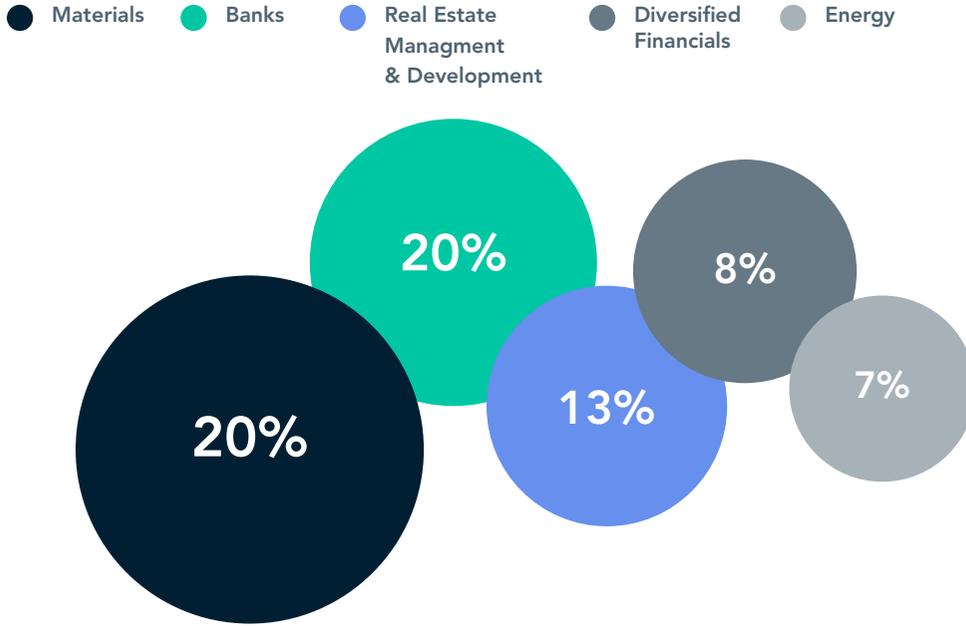
PERFORMANCE OF TASI & VOLUME TRADED



Note: No trading during the first week of May due to Eid al-Fitr.



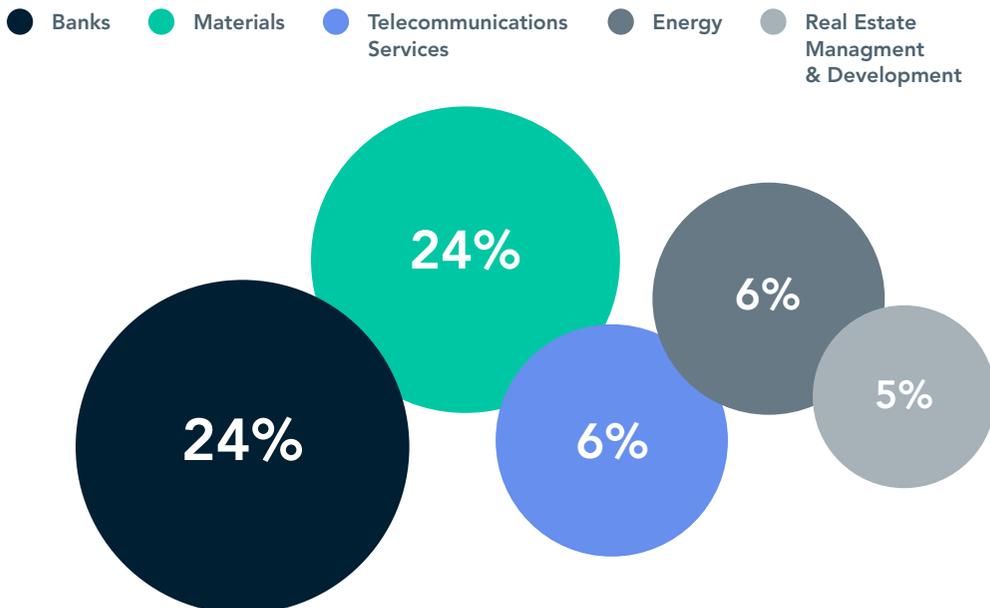
TOP 5 INDUSTRY GROUPS TRADED BY VOLUME - Q2 2022



Other Sectors:

- Insurance 5.01%
- Telecommunication Services 4.92%
- Food & Beverages 2.92%
- Utilities 2.22%
- Capital Goods 2.17%
- REITs 2.11%
- Consumer Services 2.07%
- Food & Staples Retailing 2.00%
- Health Care Equipment & Svc 1.97%
- Transportation 1.64%
- Retailing 1.50%
- Consumer Durables & Apparel 1.16%
- Software & Services 0.84%
- Commercial & Professional Svc 0.70%
- Media and Entertainment 0.27%
- Pharma, Biotech & Life Science 0.11%

TOP 5 INDUSTRY GROUPS TRADED BY VALUE - Q2 2022



Other Sectors:

- Diversified Financials 4.16%
- Utilities 3.77%
- Software & Services 3.49%
- Food & Staples Retailing 3.46%
- Health Care Equipment & Svc 3.26%
- Food & Beverages 2.77%
- Insurance 2.72%
- Capital Goods 2.19%
- Consumer Services 2.15%
- Retailing 1.90%
- Transportation 1.17%
- Commercial & Professional Svc 0.99%
- Media and Entertainment 0.83%
- Consumer Durables & Apparel 0.60%
- REITs 0.51%
- Pharma, Biotech & Life Science 0.09%



Sukuk & Bonds

The Saudi Exchange's total size of sukuk and bonds issuance grew by 4.99% to SAR 512 billion in Q2 2022, with two new listings during the quarter as well as one delisting. However, the total value traded decreased by 85.77% during the quarter.

Sukuk / Bonds – Q2 2022 Overview

512 billion (4.99%) ↑ Total Size of Issuance (SAR)	957.37 (2.47%) ↓ Sukuk and Bonds Market Index closing	83 Listed sukuk and bonds
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Q2 2022 VS. Q1 2022

Number of Trades
473 (15.99%) ↓

Value Traded (SAR)
685.71 Million (85.77%) ↓

Nominal Value Traded (SAR)
699.36 Million (85.23%) ↓

SUKUK & BONDS TOTAL SIZE OF ISSUANCE AND VALUE TRADED



*As at the end of the quarter



Derivatives

The volume of derivatives contracts traded on the Saudi Exchange in Q2 2022 was 187, down from 265 in Q1 2022. The total value traded decreased to SAR 32.6 million in Q2 2022 from SAR 45.31 million in Q1 2022.

Derivatives – Q2 2022 Overview

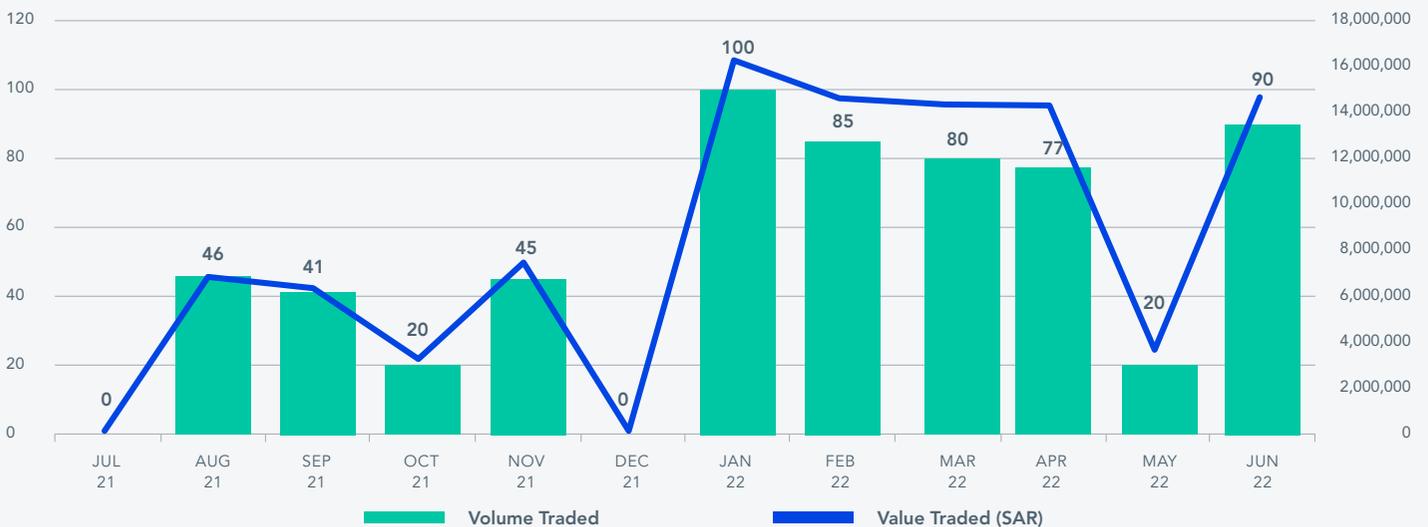
32.60 million
Value Traded

16
Number of Trades

DERIVATIVES MONTHLY TRADING STATISTICS – Q2 2022

Month	Volume Traded	Value Traded (SAR)	Number of Trades
April 2022	77	14,327,000	7
May 2022	20	3,597,000	2
June 2022	90	14,683,000	7

VOLUME & VALUE TRADED OF DERIVATIVES CONTRACTS





Ownership

Ownership of securities listed on the Saudi Exchange is becoming increasingly institutional and international in nature. However, the value of foreign investors' holdings in the Main Market fell to SAR 353.69 billion at the end of Q2, and in the Nomu - Parallel Market it fell to SAR 387.82 million. The Saudi Exchange continues to work closely with the Capital Market Authority to make the Saudi capital market attractive to international investors by improving market function and efficiency, expanding access, improving corporate governance, and increasing transparency.

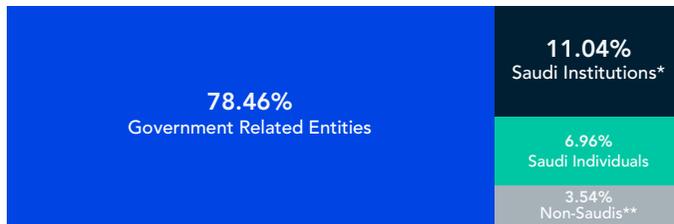
Foreign Investor Ownership* - Q2 2022 Overview

353.69 billion
Main Market Holding Value (SAR)

387.82 million
Nomu - Parallel Market Holding Value (SAR)

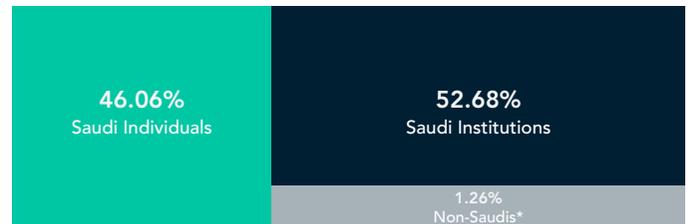
*Includes SWAP Holders, Foreign Residents & Others, QFIs, Foreign DPMs and Foreign Strategic Investors

OWNERSHIP OF ISSUED SHARES BY INVESTOR TYPE Q2 2022 (Main Market)



*Excluding GREs **Includes (Foreign & GCC)

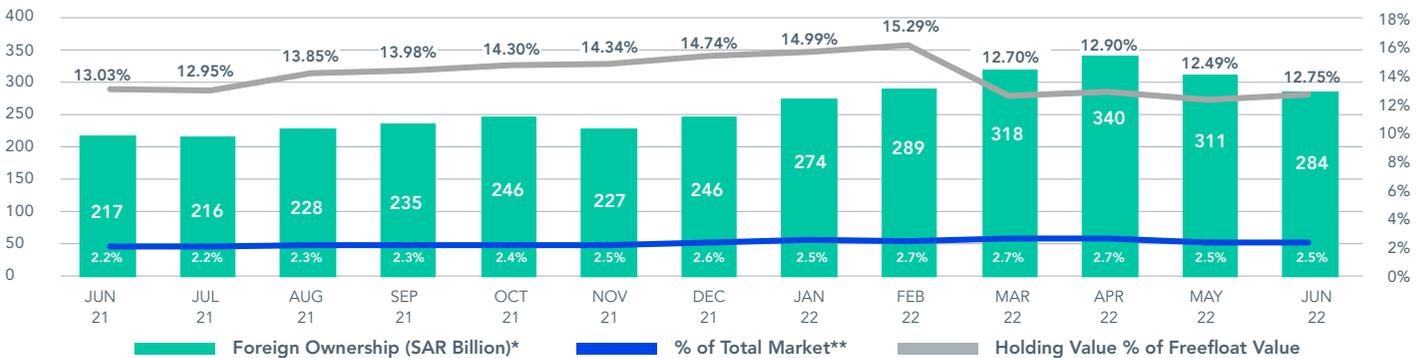
OWNERSHIP OF ISSUED SHARES BY INVESTOR TYPE Q2 2022 (Nomu - Parallel Market)



*Includes (Foreign & GCC)

QFIs are playing an increasingly significant role on the Saudi Exchange, and by the end of Q2 2022 their holdings in Saudi-listed securities in the Main Market stood at SAR 284 billion. During Q2 2022, QFI ownership reached SAR 339.7 billion in April 2022, its highest point over the preceding 12-month period.

QFI OWNERSHIP - MAIN MARKET ONLY (BILLION SAR)



* As at the end of the month **For issued shares

During Q2 2022, QFIs value traded rose to SAR 173 billion from SAR 131 billion in the previous quarter, a 32% increase.

QFI TRADING VALUE - MAIN MARKET ONLY (BILLION SAR)



* As at the end of the month **For issued shares

