



This is our update on market equity flows a week after the first tranche of FTSE EM inclusion. For more details on the impact of inclusion on the Saudi equity market, kindly refer to our recent report which can be accessed [here](#).

Saudi Equities

Update on market flows a week after inclusion

- Data after a week of the first tranche (10%) of FTSE EM inclusion suggests that QFI buying continues to be strong. While GREs (Govt. Related Entities) are selling, it has been mainly led by individuals which may eventually decline and thereby could be positive for Saudi stocks during upcoming tranches (Figure 1).
- We see negotiated deals increasing and the month of March saw negotiated deals in each of the MSCI probable names with a total deal size of ~35% of net foreigner purchases (Figure 2 & 3).
- ADTV is increasing post first tranche inclusion. We expect to continue seeing spike in traded value during auction time on inclusion days (Fig. 4).

Key data points

- If we assume traded value during the auction period (SAR1.4bn) on 14th March, the inclusion day, to be primarily driven by QFI/Swaps, then including this week's data, foreigners have purchased SAR2.66bn in Saudi stocks which is above market expectations. Also in the last week major net sellers (SAR 1.2bn) were Saudi individuals (Retail, HNWI, IPIs and Individual DPMs) (Figure 1) while GREs sold only ~SAR230mn during the week. This is positive as supply from GREs is not as much as expected and the selling is majorly driven by retail participants, boding well for the market as eventually retail selling may reduce. However this does not imply that GREs may not increase supply of stocks to cater to an increased demand in the future. On a purely passive inflow basis on 14th March, the flows may have been slightly lower than projected earlier but cannot be confirmed. Retail net-selling may be also impacted by other factors but data suggests higher than historical net-selling.
- QFI ownership witnessed a rise since 2018 through negotiated deals (Figure 2 & 3). For example, for SABIC, QFI ownership increased by ~0.43% during Jan 2018 to Mar 2019, of which around 30% of the trading activity (~0.14%) was through negotiated deals. However the data may be misleading at times. For example in cases like Al Rajhi Bank, where the total ownership rose by ~1.6% during the period, the ownership via negotiated deals climbed by ~1.8% and hence could include local change of hands as well.
- Meanwhile, we have witnessed an accumulation of QFI interest in large caps this year. Top 10 stocks, which have significant weights in EM indices, have been the primary recipients of inflows (~64% of total foreigners combined passive inflows) so far in 2019. Among the companies, SABIC (US\$412mn) has registered the highest inflows so far in 2019, followed by Al Rajhi (US\$405mn), while Bupa (-US\$7mn outflow), Petro Rabigh (US\$1mn) and Catering (US\$11mn) are the ones that have seen outflows / lowest inflows based on our calculations.

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Figure 1 Net Buyers (SAR bn)

Net Buyers (SAR bn)	20-Dec-18	27-Dec-18	3-Jan-19	10-Jan-19	17-Jan-19	24-Jan-19	31-Jan-19	7-Feb-19	14-Feb-19	21-Feb-19	28-Feb-19	7-Mar-19	14-Mar-19	21-Mar-19
SWAP Holders	(0.15)	(0.05)	0.04	0.37	0.75	0.65	0.26	0.31	0.48	0.19	0.45	0.23	(0.25)	0.09
QFIs	0.04	(0.06)	0.10	0.68	0.80	0.31	0.56	0.63	0.39	0.27	(0.06)	0.77	1.87	1.15
GREs	0.00	-	-	-	-	(0.00)	-	-	0.00	-	(0.00)	(0.00)	(0.31)	(0.23)
Saudi Individuals	0.32	(0.12)	(0.62)	(1.54)	(1.48)	(0.92)	(1.03)	(0.45)	(0.33)	(0.42)	(0.22)	(0.36)	(1.24)	(0.83)
QFI+ SWAP	(0.11)	(0.11)	0.15	1.05	1.55	0.97	0.82	0.95	0.88	0.46	0.39	1.00	1.61	1.24

Source: Tadawul, Al Rajhi Capital



Figure 2 Ownership changes through negotiated deals

Company	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Ownership via Negotiated deals	Total change in foreign ownership during the period
Saudi Basic Ind Corp			0.01%	0.02%	0.05%									0.01%	0.04%	0.14%	0.43%
Al Rajhi Banking & Inv	0.07%		0.41%		0.83%	0.01%	0.03%	0.06%	0.02%	0.02%	0.05%		0.02%	0.14%	0.09%	1.75%	1.58%
National Comm Bank			0.02%	0.02%	0.02%	0.01%				0.01%		0.02%	0.01%	0.01%	0.09%	0.22%	1.35%
Saudi Telecom Co		0.02%													0.04%	0.06%	0.48%
Samba Financial Group			0.01%			0.01%		0.02%	0.01%		0.18%	0.01%	0.01%	0.02%	0.14%	0.40%	-0.10%
Almarai Co						0.01%					0.01%			0.01%	0.07%	0.12%	0.76%
Riyad Bank	0.02%				0.60%							0.23%		0.01%	0.08%	0.94%	1.23%
Saudi Arabian Mining Co			0.01%									0.01%		0.01%	0.09%	0.11%	1.00%
Alinma Bank			0.02%											0.03%	0.10%	0.14%	1.70%
Saudi Arab Fertilizer	0.02%	0.01%	1.70%	0.01%						0.01%				0.01%	0.09%	1.85%	1.34%
Yanbu Natl Petrochemical			0.52%						0.01%		0.72%	0.01%		0.01%	0.08%	1.36%	0.77%
Saudi Electricity Co															0.04%	0.05%	0.54%
Saudi Kayan Petrochem	0.01%		0.06%							0.34%				0.02%	0.17%	0.60%	2.86%
Banque Saudi Fransi			0.20%												0.06%	0.26%	0.46%
Jarir Marketing Co		0.04%	0.28%	0.01%		0.01%	0.01%		0.01%		3.36%	0.05%		0.16%	0.89%	4.81%	2.12%
Savola			0.01%								0.04%			0.01%	0.09%	0.15%	-1.58%
Bank Albilad														0.01%	0.10%	0.11%	1.39%
Saudi British Bank													0.01%	0.00%	0.02%	0.03%	0.18%
Etihad Etisalat Co			0.01%											0.01%	0.11%	0.13%	1.18%
Bank Aljazira				0.05%								0.04%			0.06%	0.14%	-0.89%
Natl Industrialization				0.70%											0.11%	0.81%	1.31%
Saudi Indl Inv Group				0.02%					0.02%						0.17%	0.21%	1.78%
Dar Al Arkan Real Estate			0.91%	0.32%	1.18%						0.22%				0.10%	2.73%	2.57%
Rabigh Refining & Petro										0.01%					0.08%	0.09%	0.09%
Advanced Petrochemicals														0.01%	0.05%	0.06%	2.35%
Emaar Economic City															0.21%	0.21%	1.89%
Co For Cooperative Ins			0.91%						0.09%						0.03%	1.03%	0.46%
Saudi Airlines Catering			0.16%	0.03%						0.03%					0.13%	0.35%	1.09%
Saudi Cement			0.00%												0.02%	0.02%	-0.69%
Bupa Arabia For Copr Ins			0.10%		0.10%			3.33%	0.04%				0.08%	0.02%	0.23%	3.91%	5.09%

Source: Tadawul, Al Rajhi Capital. Mar 2019 data till 24th Mar 2019.

Note: Ownership via Negotiated Deals defines that gain in ownership via negotiated deals. Here it is assumed that a negotiated deal in a stock comprises of QFI as buyer and domestic investor as seller. Total change in foreign ownership during period defines change in ownership from Jan 2018 to Mar 2019, which includes ownership through open market operations, auction deals and negotiated deals.



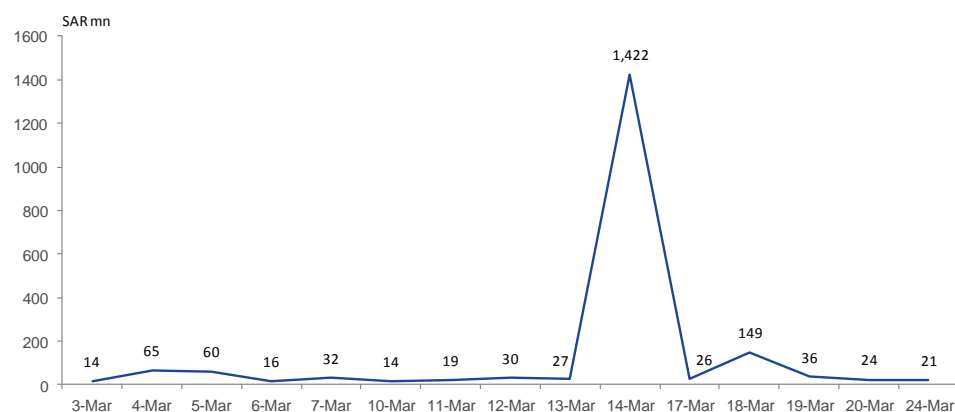
Figure 3 Traded Value of Negotiated deals

Company	Value Traded (SAR mn)														
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Saudi Basic Ind Corp		10	41	72	159	10					17		10	20	160
Al Rajhi Banking & Inv	78		476		999	7	49	86	23	21	64	6	29	212	150
National Comm Bank		1	47	38	47	11	1		2	18		30	11	16	136
Saudi Telecom Co		22	4				8						3	6	77
Samba Financial Group			3			3		14	4		107	6	4	13	103
Almarai Co	2					7			2		7	2		5	39
Riyadh Bank	9				252							120		5	57
Saudi Arabian Mining Co			6			3						3		4	55
Alinma Bank	1		4											9	35
Saudi Arab Fertilizer	7	3	500	4						4				3	29
Yanbu Natl Petrochemical			187						5		274	3		4	34
Saudi Electricity Co						2								2	29
Saudi Kayan Petrochem	1		11							74				3	37
Banque Saudi Fransi			62											2	26
Jarir Marketing Co		8	59	2		2	2		2		606	9		25	164
Savola			1								5			2	15
Bank Albilad														1	17
Saudi British Bank													6		10
Etihad Etisalat Co			1											1	19
Bank Aljazira				5								4			8
Natl Industrialization				94											13
Saudi Indl Inv Group				2					2						19
Dar Al Arkan Real Estate			107	42	169						22				11
Rabigh Refining & Petro										2					14
Advanced Petrochemicals														1	5
Emaar Economic City															18
Co For Cooperative Ins			81						6						3
Saudi Airlines Catering			11	2						2					9
Saudi Cement															2
Bupa Arabia For Copr Ins			11		12			400	5				8	2	24

Source: Tadawul Al Rajhi Capital. Data for Mar 19 till 24th Mar 2019.

We expect to see continued spike in traded value during each of the days before the effective implementation date during auction time (3.00pm-3.10pm), as was witnessed in the traded value on 14th March (day of inclusion in FTSE) (Figure 4).

Figure 4 Traded Value during auction time(SAR mn)



Source: Bloomberg, Tadawul, Al Rajhi Capital



Figure 5 Foreign inflows - Top stocks

Company Name	Mcap (SARmn)	Expected passive inflow till Jun-19 (USDmn)	YTD (2019) flows (USDmn)	% of expected passive inflow YTD	YTD Return (%)
SABIC	370,800	1,338	412	31%	6.4%
STC	212,000	555	177	32%	15.5%
Al Rajhi	166,725	1,157	405	35%	17.3%
NCB	156,900	904	326	36%	9.3%
SAMBA	75,000	521	158	30%	19.4%
Riyad Bank	70,800	436	95	22%	21.1%
SEC	68,999	197	58	29%	9.4%
Ma'aden	63,215	325	94	29%	9.7%
Almarai	54,900	344	62	18%	14.4%
SABB	54,675	83	37	44%	11.6%
Saudi Fransi	42,850	137	69	50%	13.2%
YANSAB	40,894	223	56	25%	13.9%
Alinma	37,500	254	63	25%	8.8%
SAFCO	33,833	222	66	30%	5.3%
Kayan	21,030	146	81	56%	6.2%
Jarir	18,216	126	73	58%	1.4%
Petro Rabigh	17,520	62	1	2%	4.8%
Bank Albilad	17,400	116	36	31%	6.4%
Mobily	16,817	97	26	27%	31.7%
SAVOLA	16,633	127	25	20%	16.2%
Bank Aljazira	13,284	65	38	58%	13.4%
NIC	11,840	78	29	37%	17.1%
Dar Al Arkan	11,621	78	15	19%	19.3%
SIG	11,408	78	48	62%	14.6%
APCC	10,706	77	43	56%	9.1%
BUPA	10,068	47	-7	-15%	3.6%
Saudi Cement	8,843	64	17	26%	19.1%
Emaar EC	8,458	60	21	35%	25.8%
Tawuniya	7,500	51	21	41%	-0.5%
Catering	6,757	44	11	25%	1.7%

Source: Tadawul, Bloomberg, Al Rajhi Capital



Figure 6 Change in Average Daily Traded Value

Company	Average Daily Traded Value (SAR mn)				
	1Y Pre Upgrade	On Upgrading to EM status	Post Upgrade	YTD	WTD
Saudi Basic Ind Corp	330	566	508	237	259
Al Rajhi Banking & Inv	144	281	215	275	305
National Comm Bank	29	44	54	64	86
Saudi Telecom Co	24	26	28	33	42
Samba Financial Group	11	32	42	34	39
Almarai Co	19	30	17	22	28
Riyad Bank	8	15	19	23	35
Saudi Arabian Mining Co	22	25	20	22	26
Alinma Bank	375	481	440	162	150
Saudi Arab Fertilizer	10	19	24	19	23
Yanbu Natl Petrochemical	16	23	26	32	32
Saudi Electricity Co	40	30	22	26	23
Saudi Kayan Petrochem	55	149	160	101	140
Banque Saudi Fransi	7	11	14	15	20
Jarir Marketing Co	10	11	18	22	25
Savola	12	16	19	16	24
Bank Albilad	7	11	10	16	15
Saudi British Bank	7	8	10	10	10
Etihad Etisalat Co	19	56	46	59	89
Bank Aljazira	33	59	42	42	35
Natl Industrialization	20	50	38	46	88
Saudi Indl Inv Group	10	24	18	18	19
Dar Al Arkan Real Estate	249	452	144	97	86
Rabigh Refining & Petro	46	69	29	19	26
Advanced Petrochemicals	15	14	11	12	14
Emaar Economic City	18	20	15	23	26
Co For Cooperative Ins	9	35	16	10	8
Saudi Airlines Catering	7	13	9	7	13
Saudi Cement	6	8	5	6	4
Bupa Arabia For Copr Ins	17	21	17	12	13

Source: Bloomberg, Al Rajhi Capital.

Note: 1Y Pre Upgrade defines 6M ADTV one year prior to MSCI upgrade announcement. On Upgrading to EM status defines 6M ADTV on the day of MSCI upgrade announcement. Post upgrade defines value six months post announcement, YTD defines value between 1st Jan 2019 and 24th Mar 2019 and WTD defines the ADTV from 17 March to 21 March 2019 (including both days).



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"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 12 month time horizon.

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