



## Saudi Arabia included in FTSE Secondary EM Index

Saudi Arabia expected to weigh ~3% in the index, inflows of up to ~USD4.5bn expected

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FTSE announced that Saudi Arabia would be promoted to Secondary Emerging market status in five tranches, from Mar-2019 to Dec-2019. It expects Saudi Arabia to have an index weight within FTSE GEIS of 0.25% and 2.7% within the FTSE Emerging index. Saudi Arabia could be the 10<sup>th</sup> largest constituent on the EM Index with an expected weightage of 3% as per the data suggested by FTSE Emerging Saudi Arabia Inclusion Index; at current market prices this could translate into USD4.5bn of inflows into the Saudi Equity market. The FTSE Saudi Arabia All Cap Index has 79 constituents and the large cap stocks are likely to attract bulk of the expected inflows; we estimate Sabic could attract some USD727m in inflows; Al Rajhi USD504m, NCB USD385m.

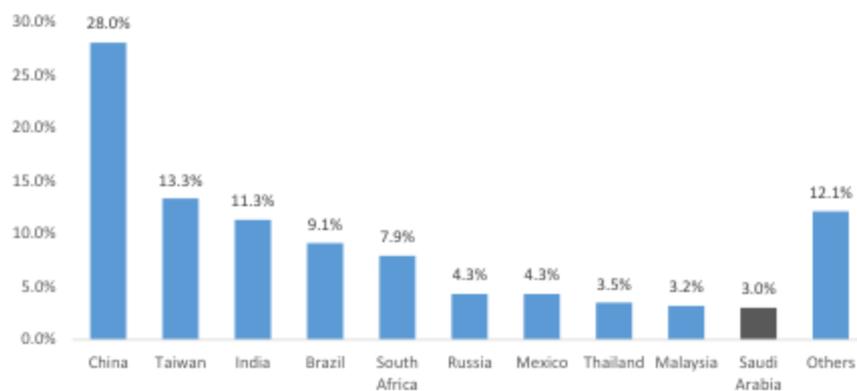
Figure 1: FTSE Saudi Arabia stocks : potential flows of USD4.5bn

Constituent	Sector	Marketcap (USD bn)	Net marketcap (USD bn)	Expected FTSE EM weight	Funds flow (USD m)
Saudi Basic Industries Corp	Chemicals	94	23	0.48%	727
Al Rajhi Banking & Investment Corp	Banks	33	16	0.34%	504
National Commercial Bank SJSC	Banks	35	12	0.26%	385
Saudi Telecom Co	Telecommunications	45	8	0.16%	239
Samba Financial Group	Banks	15	7	0.15%	222
Saudi Arabian Mining Co-Msaden	Mining	17	6	0.12%	186
Almarai Co Ltd	Food Producers	15	6	0.12%	180
Riyad Bank	Banks	11	5	0.11%	170
Saudi Electricity Co	Electricity	23	4	0.09%	137
Alinma Bank	Banks	8	4	0.08%	126
Others		213	53	1.10%	1,854
<b>Total</b>		<b>509</b>	<b>146</b>	<b>3.02%</b>	<b>4,529</b>

Source: Deutsche Bank, FTSE, Bloomberg Finance LP



Figure 2: Expected weight of Saudi Arabia on the FTSE Secondary EM index



Source: Deutsche Bank, FTSE, Bloomberg Finance LP

#### FTSE inclusion done; MSCI EM decision to be announced in June

Saudi Arabia is also nominated for inclusion in the widely tracked MSCI EM Index, with a decision on inclusion to be announced in June '18. A favorable decision could translate into some USD39bn in inflows, with actual inclusion expected for June '19. For more details on Saudi inclusion into MSCI EM please refer our [strategy report dated 20-Feb-18](#). It is interesting to observe that Saudi Arabia has already witnessed foreign fund inflows of USD619m in Jan'18 - the highest inflows on record - followed by USD364m in Feb'18. The inclusion by FTSE and the impending decision by MSCI could mark the start of a sustained period of higher inflows into Saudi equities, in our view.



# Appendix 1

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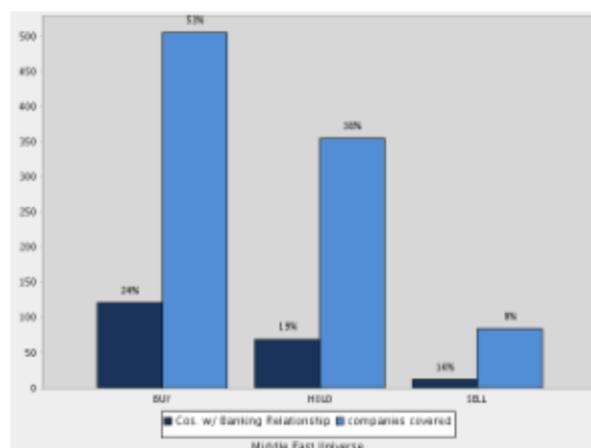
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