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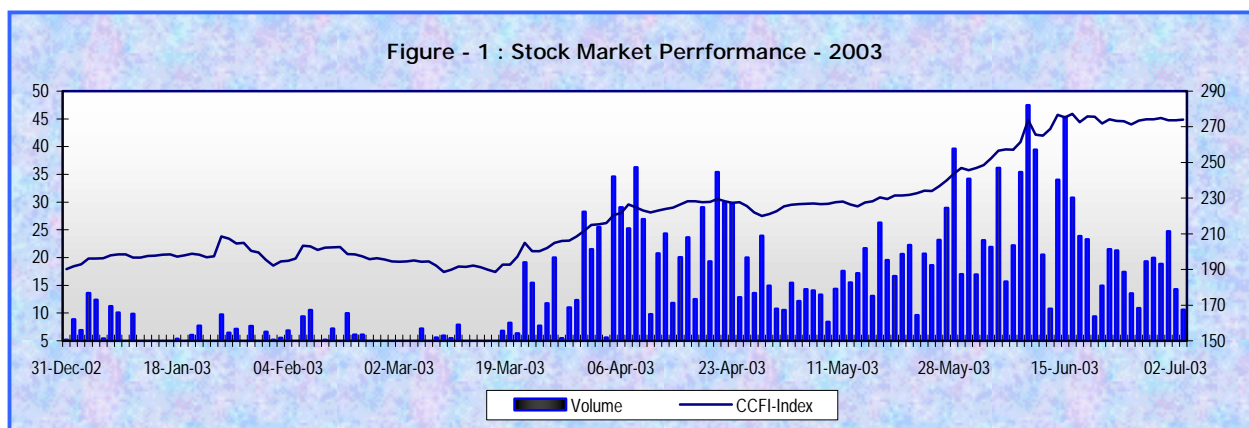
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Saudi Stock Market Review - Q2 '03 PERFORMANCE



The performance of the Saudi stock market reached epic proportions during Q2'03 and broke all previous records. The CCFI All-Share Index registered an increase of 29.98% with a substantial rise in trading volume. The market reached a lifetime-high on June 16, 2003 when the CCFI All Share Index closed at 277.3. Quite remarkable is the comparison of Q2'03's market performance with that of Q2'02. During Q2'02, the market experienced a somewhat similar, albeit smaller, rally and registered an increase of 7.63%. It also reached a lifetime-high (up to 2002) on May 20, 2002 when the All-Share Index reached 225.52. However, the current rally has broken all previous records with a considerably higher investor interest than ever before; trading volume was more than double its level in Q2'02. While the bull-run was shared by all sectors, some performed better than the others. Especially, the newly introduced telecom sector saw tremendous appreciation while electricity and services sector also recorded phenomenal appreciation. All in all, it was a phenomenal period for the Saudi stock market that gave hints to the incredible potential of capital markets in Kingdom of Saudi Arabia that has yet to be realized.

Table -1 : MARKET INDICATORS

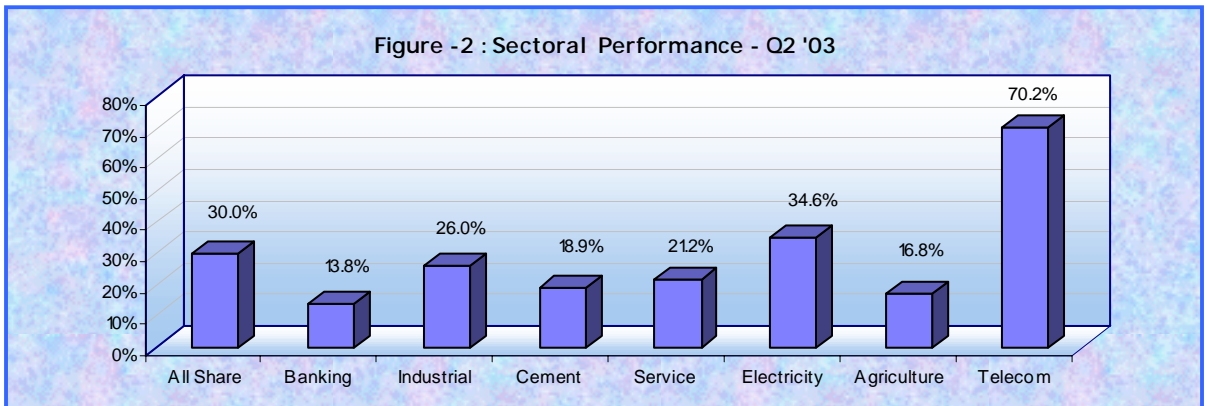
CCFI Index*	30/06/2003	30/03/2003	Change	YTD 2003	Volume (Mil.)	Value Traded (SR Mil.)
All Share	274.92	211.51	29.98%	44.59%	1,665.4	170,406.6
Banking	293.97	258.35	13.79%	15.69%	32.2	12,384.2
Industrial	218.37	173.35	25.97%	35.62%	374.4	44,051.4
Cement	272.05	228.77	18.92%	19.55%	47.0	10,732.7
Service	107.24	88.49	21.19%	22.35%	594.2	26,193.7
Electricity	256.73	190.67	34.65%	74.43%	433.8	30,100.7
Agricultural	85.39	73.13	16.76%	17.49%	35.3	1,041.8
Telecommunications	229.56	134.85	70.23%	129.56%	148.5	45,902.1

* Base Year 1995 = 100 except for Telecommunication

Source: CCFI Saudi Stockline

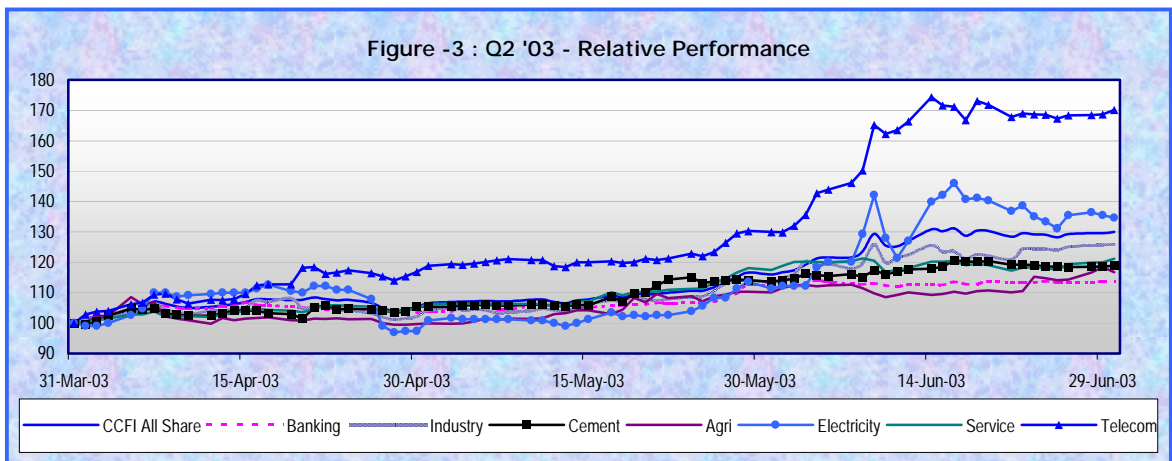
The market started its upward move since March 17 of this year and gained 47.07% up to June 16. So far, the rally can be divided into 4 phases: First, from March 17 to April 21 during which the All Share Index appreciated by 21.7%; second, from April 22 to May 21 during which the index gained 1.07%; third, from May 22 to June 16 when it rose by 19.57%; and fourth, from June 17 till the writing of this report on July 3,

when the All Share index declined by 1.21%. Since the beginning of 2003, the index has registered an increase of 44.08%.



Source: CCFI Saudi Stockline

The market's significant performance during this period was attributable to a number of factors. First, the commencement and rapid conclusion of war in Iraq has removed the uncertainties that had loomed over the region. As a result, the political risk of the region, according to most investors, has since declined. Second, the exceptionally high oil revenues during 2H '02 and 1H '03 are likely to translate into stronger economic growth and corporate during 2003 and 2004; third, the financial results of listed companies for Q1 '03 were better than expectations of most investors; fourth, with the introduction of Saudi Telecom Co, investors have found a vehicle of choice to place their funds in a company that has a substantial market capitalization, has excellent disclosure and reporting practices, and offers significant growth prospects. The euphoria even spilled on to other large capitalization stocks like Saudi Electricity Co; and fifth, the level of liquidity in the system is considerably high. Since Sep 11, funds have been repatriating from Western countries and the option of keeping the funds within the Kingdom has become more attractive. Hence, one likely avenue for this liquidity is the local stock market that, with the reduction of political uncertainties, appears to offer considerable upside potential.



Source: CCFI Saudi Stockline

Since touching its high on June 16, the market has entered a period of consolidation marked by relative calm and a side-ways behavior. After rising 47% in less than 3 months, a technical correction was very much expected. This has essentially been on account of profit taking and consolidation of positions by most investors; however, it has been further necessitated by the July-August vacation period during which most



investors proceed on vacation in and out of the country. It can be expected that the market would trade within a narrow range during this period. However, there remains considerable upside potential in the market. Based on the results of Q1 '02, the market is still trading at a relatively low Price/Earnings multiple of 14.85 (as at June 30, 2003). This is lower than multiple at which the market traded during most of 2002. In addition, the risk free rate is lower than it has ever been; the 5-year Saudi Government Bond is trading at a Yield of 2.526%. Keeping all this in perspective, there is all the likelihood that the market can embark on the next round of the current bull-run when investors return from their vacations in Late August or early September.

Among the sectors, telecom outperformed all others with an unbelievable rise of 70.23%. With the 24.5% share of Saudi Telecom in total market capitalization, its contribution was significant in the rise of the over all market. Also significant was the performance of the electricity sector where its sole constituent, Saudi Electricity, experienced a price appreciation of 34.65%. Together, Saudi Telecom and Saudi Electricity account for 36.8% of the total market capitalization. The industrial and services sector also performed well rising 25.9% and 21.2%, respectively. Saudi Ceramics Co (+82.46%) and The National Shipping Co of Saudi Arabia (+47.64%) were the best performers in these sectors. Cement, agriculture and banking sector indexes registered increases of 18.9%, 16.7% and 13.8%, respectively. The best performance came from Saudi Ceramics Co while the worst was from Saudi Industrial Exports Co (-9.15%). All in all, 60 stocks gained in value, 7 declined and 2 remained unchanged.

Table – 2 : FIVE MOST ACTIVE ISSUES

Company	Price Change %	Volume Traded (Million)	% Market Volume	% Market Capital	% Market Value Traded
SAUDI ELECTRIC	34.65	433.77	26.05	12.32	17.66
MMUCO	14.29	226.34	13.59	0.10	2.67
STC	70.23	148.47	8.91	24.53	26.94
SAPTCO	46.38	115.77	6.95	0.32	4.25
ADCO	17.14	101.11	6.07	0.21	2.88
Total		1,025.45	61.57	37.48	54.40

Source: CCFI Saudi Stockline

Table – 3 : TOP GAINERS AND LOSERS

Gainers	% Change	Losers	% Change
SCERCO	82.46	SIECO	-9.15
STC	70.23	SCCO	-7.09
NIC	52.83	ASACO	-6.94
BJAZ	48.65	TAACO	-5.49
NSCSA	47.64	FIPCO	-4.98

Source: CCFI Saudi Stockline

Table – 4 : MARKET STATISTICS

Gainers	30/06/2003	30/03/2003	% Change
Market Cap (SR Billion)	477.20	393.70	21.2%
P/E ('03) X	14.85	12.25	21.2%

Source: CCFI Saudi Stockline

Market activity during Q2 '03 was concentrated in telecom, industrial, electricity and services sectors. Of the total value traded during this period, telecom accounted for 26.9% while the industrial sector represented 25.9%. Meanwhile, electricity and services sectors contributed 17.7% and 15.4%, respectively. Contributions of banking, cement and agriculture sectors to the total value traded were limited to 7.3%, 6.3% and 0.6%, respectively ■

