



بنك الإمارات دبي الوطني  
Emirates NBD

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# Equity Weekly

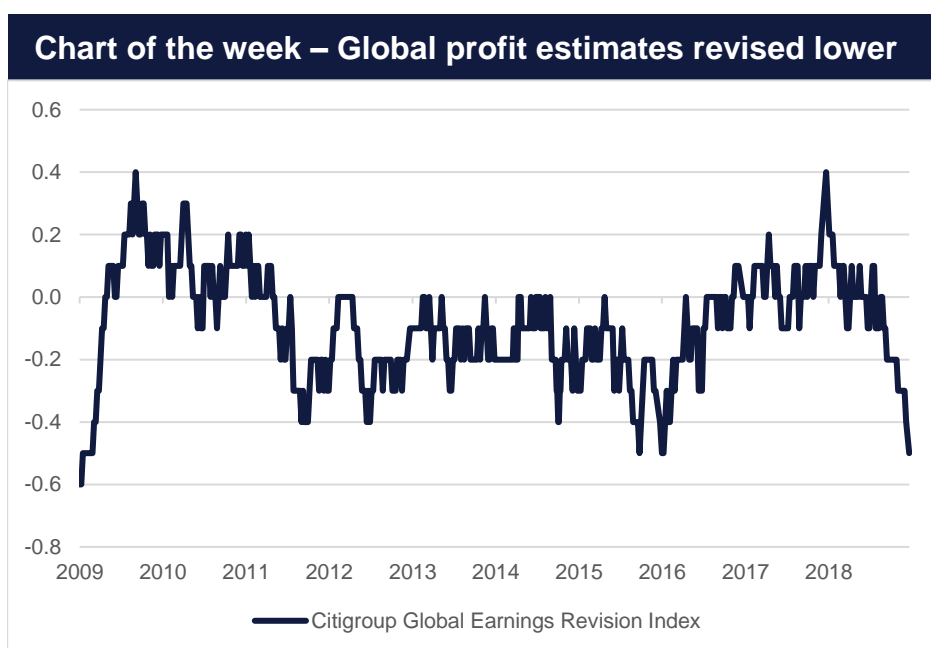
## Global Equities

Global equities closed higher as dovish commentary from Fed official and signs of some progress in first round of trade talks between the US and China outweighed the continued partial shutdown of the US government and uncertainty over Brexit. The downgrade of global growth forecasts by the World Bank appeared to have been interpreted by investors as the need for central banks to pause on further tightening of monetary policy. The MSCI All Countries index added +2.9% 5d with all major sub-indices closing in positive territory. The MSCI G7 index, the MSCI EM index and the MSCI FM index added +2.8% 5d, +3.8% 5d and +2.1% 5d respectively. Volatility came off the highs with VIX index, the V2X index and the CBOE EM ETF Volatility index dropping -14.9% 5d, -15.0% 5d and -15.2% 5d respectively.

The early part of this week will see the UK Parliament vote on Brexit deal. While the deal is widely expected to be rejected, the continued uncertainty over the chain of events following the vote is expected to weigh on financial markets. Additionally, investors will be keeping an eye on earnings and US government shutdown talks. A prolonged government shutdown, which appears likely at the moment, will start to weigh progressively more on investor sentiment.

## Chart of the week

The start of 2019 was marked by a cut in earnings guidance by a couple of large market heavyweights. This has put the focus on earnings which has been the strongest pillar of support for equity prices over the last couple of years. It is becoming evident that the continued delay in tangible resolution in trade talks between the US and China and visible slowdown in economic activity is likely to weigh on corporate earnings. As per Citigroup's global earnings revision index, analysts at the start of 2019 lowered the profit estimates by most since 2009.



Source: Bloomberg

## MENA Markets

MENA equities continued their positive start to the year amid rebound in oil prices and fresh inflows. The MSCI Arabian Markets index added +1.6% 5d while Brent oil gained +6.0% 5d.

One common theme across regional markets in the current rally has been the outperformance of banking sector stocks. The S&P GCC Composite Banks index rallied +4.9% w-o-w. The strength in banking stocks can be attributed to positioning ahead of expected strong earnings and dividend season, clarity on Zakat payments for Saudi Arabian banks and continued appetite for mergers among regional banks. Al Rajhi Bank rallied +10.4% 5d after the bank announced 7 bonus shares for every 13 held and also recommended a cash dividend of SAR 2.25 per share for H2 2018.

The Tadawul led the rally with gains of +4.9% 5d. This was the largest weekly gain since April 2018 and was broad-based with most sectors closing in positive territory. The Tadawul Banking Sector index and the Tadawul Materials index, which together account for nearly 70% weight in the main index, rallied +7.1% 5d and +4.7% 5d respectively.

## Developed Markets

Developed market equities closed higher across the board even as key issues of the US government shutdown and Brexit made little progress. With key economic data absent due to the partial government shutdown, the rally was primarily driven by consistently dovish comments from various Federal Reserve speakers including the Chairman Jerome Powell. The word 'patient' was repeated by every speaker as they collectively tried to calm financial markets. Additionally, weaker economic data, mainly PMI indices, across key economies led further credence to the consensus view that most central banks will stay put. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index added +2.5% 5d, +1.7% 5d and +4.1% 5d respectively.

The earnings season in the US has got off to a rather muted start. With 4% of companies in the S&P 500 index having reported earnings, 90% of companies have reported a positive EPS surprise and 65% have reported a positive revenue surprise. However, according to FactSet, the blended earnings growth is 10.6% compared to estimates of 12.3% at the end of 2018.

## Emerging Markets

Emerging market equities outperformed broader equities. The MSCI EM index added +3.8% 5d compared to a gain of +2.8% 5d in the MSCI World index. The renewed strength in commodities, dovish Fed talk and weaker USD all played its part in the strength of emerging market assets.

Chinese equities rallied amid hopes that the reported progress in trade talks with the US will lead to some tangible outcome. The stocks also received a boost from government official comments about plans to boost consumer purchasing power, central bank's decision to lower reserve requirement ratios and government's proposal to increase budget deficit in a bid to support economy. The Shanghai Composite index added +1.6% 5d.

## Market Data

### MENA Equity Indices

Index	Last Price	wtd % chg	T.Value 5d avg (USDmn)	BEst P/E	BEst P/B	Div Yield	% above 200d MA
DFM	2,546	0.8%	33.1	6.2	0.8	7.2	29.73
ADX	4,962	1.3%	29.8	11.5	1.6	4.9	35.59
Tadawul	8,210	4.8%	859.7	14.4	1.7	3.4	33.52
ISE 100	91,687	2.7%	947.9	6.0	0.8	4.6	18.18
EGX 30	13,367	0.8%	32.9	8.8	1.8	2.2	13.33
Kuwait Premier	5,453	2.1%	77.8	8.9	1.1	3.5	68.75
Bahrain	1,342	1.2%	4.8	-	-	-	-
MSM	4,311	0.8%	3.8	6.5	0.6	6.0	23.33
Qatar Exchange	10,658	3.0%	68.9	13.5	1.7	4.1	65.00
MADEX	9,001	-0.3%	5.6	16.0	2.3	4.0	-
TUSISE	7,190	-0.7%	1.1	19.3	5.2	2.0	46.15

### Developed Market Indices

Dow Jones	23,996	2.4%	8,839.8	14.4	3.4	2.5	40.00
S&P 500	2,596	2.5%	44,836.6	15.3	2.8	2.2	30.54
Nasdaq	6,971	3.5%	30,919.5	19.5	3.8	1.3	22.90
FTSE 100	6,918	1.2%	4,903.3	11.9	1.6	5.1	26.73
Dax	10,887	1.1%	3,757.7	11.6	1.4	3.8	17.24
Cac 40	4,781	0.9%	3,738.5	12.0	1.3	4.0	17.50
Swiss	8,828	2.6%	2,766.7	14.2	2.1	3.8	40.00
Nikkei	20,360	4.1%	13,823.1	14.6	1.5	2.3	16.89
Australia	5,775	2.8%	2,747.0	14.8	1.8	5.1	35.71
Stoxx 600	349	1.7%	25,994.3	12.7	1.5	4.2	26.77

### Emerging Market Indices

Hong Kong	26,667	4.1%	4,472.8	10.1	1.1	3.8	42.00
Shanghai	2,554	1.5%	19,850.7	9.4	1.1	2.6	15.41
Korea	2,076	3.2%	4,510.4	9.1	0.8	1.6	24.02
Sensex	36,010	0.9%	159.2	20.9	2.8	1.4	41.94
Nifty	10,795	0.6%	1,921.1	19.5	2.7	1.5	42.00
Karachi	39,049	4.0%	40.7	7.6	1.2	5.3	26.97
Taiwan	9,759	4.0%	2,814.1	12.8	1.5	4.7	27.82
Bovespa	93,658	2.0%	3,261.1	11.6	1.7	3.3	78.13
Jo'burg	53,653	2.8%	1,066.1	12.9	1.7	4.4	40.88
Vietnam	903	2.5%	82.9	14.1	2.4	2.1	36.71
Jakarta	6,361	1.4%	520.5	15.1	2.3	2.1	45.38

Source: Bloomberg, BEst – Bloomberg Estimate

## Relative Valuations

### Benchmark Equity Indices

Index	Last Price	wtd % chg	1m % chg	Ytd % chg	BEst P/E	BEst P/B	Div Yield
MSCI World	1,957	2.8%	0.8%	3.9%	14.13	2.05	2.66
MSCI G7	1,780	2.7%	0.5%	3.8%	14.16	2.12	2.48
MSCI EM	1,001	3.7%	3.0%	3.7%	11.19	1.39	2.84
MSCI FM	532	2.1%	0.4%	3.0%	9.74	1.38	3.85
S&P Pan Arab	755	3.4%	3.5%	3.6%	12.23	1.52	3.93
DUAE INDEX	3,090	0.9%	1.6%	0.2%	9.11	1.14	6.05
DKUW INDEX	3,886	1.9%	1.8%	3.5%	-	-	-
DQAT INDEX	7,165	2.6%	1.5%	2.5%	13.48	2.07	3.56
DKUS INDEX	3,078	1.2%	0.4%	3.0%	7.32	0.95	3.44
DQAS INDEX	8,441	2.9%	2.1%	3.6%	15.31	1.97	4.04

### Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-49.0%	-44.3%	83.7%	Bahrain	-	-	54.2%
ADX	-5.6%	4.8%	23.3%	MSM	-46.6%	-57.8%	53.7%
Tadawul	17.8%	14.5%	-13.9%	Qatar	10.8%	8.6%	4.4%
Kuwait Premier	-26.8%	-28.5%	-11.2%	TUSISE	57.8%	238.39%	-49.4%

### Relative to MSCI G7 Index

Dow Jones	2.0%	62.6%	1.9%	Cac 40	-15.4%	-37.2%	60.4%
S&P 500	8.1%	32.9%	-10.6%	Swiss	0.5%	-0.6%	53.5%
Nasdaq	37.4%	80.8%	-46.8%	Nikkei	3.3%	-28.5%	-8.9%
FTSE 100	-15.8%	-25.5%	105.5%	Australia	4.4%	-13.6%	103.9%
Dax	-18.4%	-34.6%	51.9%	Stoxx 600	-10.4%	-27.6%	68.0%

### Relative to MSCI Emerging Market Index

Hong Kong	-9.4%	-18.4%	32.1%	Jo'burg	15.6%	20.0%	53.4%
Shanghai	-15.9%	-18.8%	-7.0%	Vietnam	26.1%	73.7%	-25.3%
Korea	-18.5%	-40.0%	-44.4%	Jakarta	35.0%	63.5%	-25.1%
Sensex	86.5%	104.2%	-51.9%				
Nifty	74.5%	95.7%	-48.5%				
Karachi	-32.5%	-14.1%	87.9%				
Taiwan	14.5%	8.9%	65.7%				
Bovespa	3.8%	25.7%	16.1%				

Source: Bloomberg, BEst – Bloomberg Estimate

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