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Equity Weekly

Global Equities

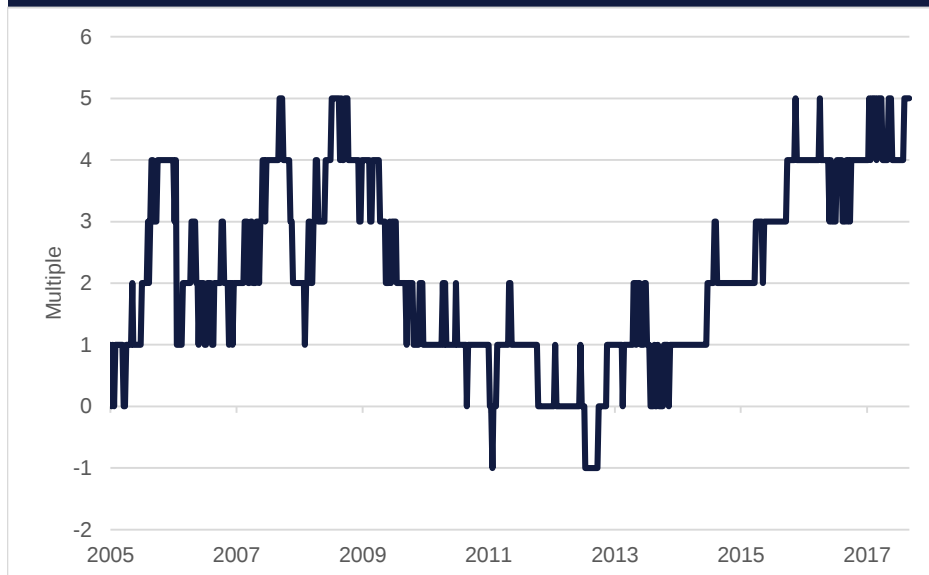
Global equities closed higher amid boost from high energy prices and continued strength in corporate earnings. The MSCI World index added +2.0% 5d on the back of strength in the MSCI EM index (+2.5% 5d) and the MSCI G7 index (+2.1% 5d). Regional equities underperformed with the MSCI Arabian Markets index losing -2.1% 5d. Volatility declined across the board with the VIX index (US), the V2X index (Europe) and the CBOE EM ETF volatility index dropping -14.4% 5d, -7.3% 5d and -8.6% 5d respectively.

With earnings season nearing an end, the focus of investors will shift towards central banks and the evolving geo-political scenarios. Regionally, volumes are expected to remain towards the lower end of the range as the Holy month of Ramadan starts later this week.

Chart of the week

Ahead of elections, Turkish stocks have come under sustained pressure as doubts grow over the economy. A high oil price is also a drag on Turkish economy. The sharp underperformance of Turkish stocks compared to emerging market peers has left Turkish stocks at their cheapest level relative to broad emerging market equities. The Istanbul 100 index has declined -7.1% 1m compared to a drop of -0.5% 1m in the MSCI EM index. The gap between price-to-earnings ratios of the Istanbul 100 index and the MSCI EM index widened to its highest level since 2005.

Chart of the week – BEst P/E spread between MSCI EM index and BIST 100 index



Source: Bloomberg

MENA Markets

Most MENA equity indices closed lower as corporate earnings continued to remain weak and geopolitical tensions rose. While the decision of the US to withdraw from the Iran deal had a positive impact on oil prices, the political impact of the same weighed on investor sentiment. The recent market movement also provides evidence that the impact of strength in oil prices is not filtering into regional financial markets. The S&P Pan Arab Composite index dropped -1.7% 5d.

The Tadawul closed lower for a third consecutive week with losses of -2.4% 5d. Savola dropped -4.3% 5d after the company reported Q1 2018 net loss of SAR 84.3mn, missing consensus estimates of a profit of SAR 59.6mn. The company attributed the decline to lower margins and higher operating cost. Zain Saudi dropped -13.2% after the company reported Q1 2018 net loss of SAR 77mn, higher than consensus estimates of SAR 34mn.

UAE bourses continued to remain weak with the DFM index and the ADX index dropping -2.3% 5d and -2.6% 5d respectively. The trend was similar to the previous week with real estate sector stocks leading the decline. Emaar Properties dropped -7.6% to close below AED 5.0 for the first time since February 2016. Aldar Properties lost -1.9% 5d as the company informed that it is buying real estate assets worth AED 3.7bn from Tourism Development & Investment Company. The asset portfolio is a combination of recurring income assets and development assets.

Developed Markets

Developed market equities closed higher amid continued strength in earnings and gains in energy-related stocks. A rather subdued inflation data from the US and lack of surprise from the Bank of England provided further impetus to equities. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index added +2.4% 5d, +1.4% 5d and +1.3% 5d respectively. UK stocks outperformed European equities with the FTSE 100 index adding +3.0% 5d. The S&P 500 energy sector index added +3.8% 5d.

The earnings season in the US remains on a strong footing. With 91% of companies in the S&P 500 index having reported earnings, 78% of those companies reported a positive EPS surprise and 77% of those companies reported a positive sales surprise. According to FactSet, the aggregate earnings growth is 24.9%. If this is maintained then it would be the highest earnings growth since Q3 2010. It should also be noted that at the end of Q1 2018, the estimated earnings growth was 17.1%.

Emerging Markets

Emerging market equities outperformed wider equity markets with the MSCI EM index adding +2.5% 5d compared to a gain of +2.0% 5d in the MSCI World index. Within emerging markets, the BRIC bloc outperformed with the MSCI BRIC index adding +3.2% 5d. The gain in emerging market equities coincided with reduced pressure on emerging market currencies after below expectation inflation reading in the US.

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	2,882	-2.2%	62.2	7.9	1.0	5.9	27.78
ADX	4,438	-2.6%	40.0	11.2	1.5	5.5	33.90
Tadawul	7,914	-2.4%	1,053.4	14.8	1.7	3.3	50.29
ISE 100	101,853	-0.2%	1,460.3	7.2	1.1	3.9	24.49
EGX 30	17,155	-3.8%	55.5	14.4	2.5	1.8	86.67
Kuwait Premier	4,797	0.1%	23.1	12.9	1.4	3.9	50.00
Bahrain	1,271	0.6%	1.4	-	-	6.4	-
MSM	4,682	-0.9%	5.1	9.7	0.8	5.1	53.33
Qatar Exchange	8,750	-0.6%	41.6	12.1	1.4	5.0	57.89
MADEX	10,462	-1.2%	8.3	18.9	2.5	3.7	53.33
TUSISE	7,366	2.5%	2.9	23.2	-	1.9	79.55

Developed Market Indices

Dow Jones	24,831	2.3%	7,382.3	16.4	3.8	2.3	63.33
S&P 500	2,728	2.4%	39,671.6	17.2	3.1	2.0	63.07
Nasdaq	7,403	2.7%	28,020.1	22.3	4.3	1.0	57.15
FTSE 100	7,725	2.1%	6,828.7	14.3	1.9	4.2	75.25
Dax	13,001	1.4%	4,240.3	13.4	1.7	3.1	62.07
Cac 40	5,542	0.5%	3,266.2	15.1	1.6	3.2	62.50
Swiss	8,994	1.0%	2,549.7	15.7	2.3	3.6	65.00
Nikkei	22,758	1.3%	13,612.4	16.5	1.7	1.9	65.33
Australia	6,116	0.9%	3,470.6	16.4	2.0	4.3	67.34
Stoxx 600	392	1.4%	27,594.6	15.1	1.8	3.5	70.31

Emerging Market Indices

Hong Kong	31,122	4.0%	4,844.2	12.0	1.3	3.4	73.47
Shanghai	3,163	2.3%	26,684.8	12.5	1.5	1.9	19.69
Korea	2,478	0.7%	8,371.7	9.6	1.1	1.8	59.95
Sensex	35,536	1.8%	77.7	18.6	2.7	1.1	64.52
Nifty	10,807	1.8%	1,588.5	18.0	2.7	1.2	58.00
Karachi	43,595	-2.1%	44.2	9.6	1.5	5.1	45.05
Taiwan	10,859	3.1%	4,341.7	14.1	1.8	3.7	48.25
Bovespa	85,220	2.5%	2,952.9	12.9	1.8	2.8	63.08
Jo'burg	58,423	1.3%	1,431.5	15.3	1.9	3.2	59.88
Vietnam	1,045	1.8%	157.7	17.8	3.2	1.9	35.20
Jakarta	5,957	2.8%	431.2	15.3	2.3	2.2	42.38

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	2,132	2.0%	2.1%	1.4%	16.29	2.29	2.37
MSCI G7	1,936	2.1%	2.3%	1.8%	16.33	2.38	2.20
MSCI EM	1,164	2.5%	-0.5%	0.5%	12.48	1.63	2.39
MSCI FM	611	-1.4%	-6.7%	-4.1%	11.98	1.79	3.59
S&P Pan Arab	728	-1.7%	-0.3%	6.1%	12.95	1.52	3.98
DUAE INDEX	3,071	-3.3%	-7.0%	-6.6%	9.48	1.24	5.77
DKUW INDEX	3,415	-0.2%	-1.3%	0.1%	-	-	-
DQAT INDEX	5,549	-1.2%	-2.5%	4.4%	11.49	1.56	4.70
DKUS INDEX	2,769	-0.2%	-2.1%	-1.2%	13.83	1.50	3.89
DQAS INDEX	7,040	-0.5%	-2.9%	-1.2%	14.41	1.53	4.84

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-39.3%	-32.6%	47.1%	Bahrain	-	-	61.7%
ADX	-13.9%	-3.6%	37.6%	MSM	-24.7%	-48.5%	29.1%
Tadawul	14.2%	12.8%	-17.7%	Qatar	-6.4%	-8.5%	25.1%
Kuwait Premier	-0.7%	-8.7%	-2.1%	TUSISE	79.1%	-	-51.0%

Relative to MSCI G7 Index

Dow Jones	0.6%	58.9%	2.6%	Cac 40	-7.6%	-32.6%	45.8%
S&P 500	5.5%	32.0%	-11.0%	Swiss	-4.1%	-3.7%	63.5%
Nasdaq	36.7%	81.1%	-52.8%	Nikkei	0.9%	-28.0%	-13.7%
FTSE 100	-12.6%	-21.1%	89.3%	Australia	0.4%	-16.3%	97.1%
Dax	-17.9%	-29.9%	40.3%	Stoxx 600	-7.4%	-22.6%	58.5%

Relative to MSCI Emerging Market Index

Hong Kong	-3.9%	-19.1%	40.3%	Jo'burg	22.6%	19.9%	33.1%
Shanghai	-0.2%	-10.0%	-19.2%	Vietnam	42.6%	97.8%	-21.5%
Korea	-23.1%	-35.2%	-26.5%	Jakarta	22.6%	41.7%	-7.0%
Sensex	49.3%	67.9%	-53.9%				
Nifty	44.3%	65.4%	-48.8%				
Karachi	-23.3%	-5.9%	113.1%				
Taiwan	12.6%	9.6%	55.2%				
Bovespa	3.2%	9.7%	15.7%				

Source: Bloomberg, BEST – Bloomberg Estimate

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