



بنك الإمارات دبي الوطني  
Emirates NBD

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# Equity Weekly

## Global Equities

The strength in global equity markets is showing no signs of abating. More so when all the factors which drove the rally in 2017 continue to remain in place, i.e., strong macro-economic data, positive corporate earnings and continued increase in commodity prices. The MSCI World Index added +1.3% 5d on the back of gains across its sub-indices. The MSCI EM index, the MSCI G7 index and the MSCI Arabian Markets index added +1.3% 5d, +1.4% 5d and +0.7% 5d respectively.

With risks remaining relatively benign, the positive tone in equity markets is likely to continue. The ongoing Q4 2017 earnings season could drive market performance in the near term. Regionally, regional investors are expected to put money at play in anticipation of dividend announcements. This coupled with sharp rise in oil prices and positive regulatory changes could help sustain the current rally.

## Chart of the week

The EGX 30 index closed above the 15,000 level as it continued to build onto the gains of 2017. Interestingly, the market capitalization of the EGX 30 index has now crossed USD 50bn, the level at which it was before the country decided to devalue the EGP in late 2016. Following the devaluation, the market capitalization had fallen to below USD 30bn.

### Chart of the week – Egyptian stocks back to pre-devaluation levels



Source: Bloomberg

## MENA Markets

MENA equity markets carried the momentum from the start of 2018. All major equity markets closed in positive territory to help the S&P Pan Arab Composite index end the week with gains of +1.7% 5d. The continued strength in oil prices and investors positioning for dividend announcement helped sustain the rally. The Brent oil price rallied +3.3% 5d to close at its highest level in three years.

The week was marked by several regulatory changes, notably in Saudi Arabia. The changes made by the CMA to trading rules included –

1. Updating the independent custody model to improve QFI access,
2. Introduction of a new optional model to allow asset managers to aggregate all orders of managed assets,
3. Moving from a VWAP to an auction method for determining closing prices and enhancements to opening price auction and
4. Implementing a market making program.

All these measures are aimed at gaining the emerging market status and preparing the market for Saudi Aramco IPO. There was an instant acknowledgement of these measures by the MSCI which informed that discussions to include the Tadawul into the MSCI EM index will conclude by June 2018.

In the UAE, Nasdaq Dubai announced its intention to launch index futures in Q1 2018 and the DFM exchange allowed regulated short selling on 19 securities.

In terms of market movements, the Tadawul added +0.8% 5d on the back of strength in petrochemical and retail stocks. The Tadawul retail sector index added +2.8% 5d as the momentum from pay hikes announced by the government continued.

UAE bourses also rallied with both the DFM and the ADX index adding +0.9% 5d each. The focus continued to remain on Emaar-related shares with Emaar Development adding +4.0% 5d and Emaar Malls gaining +0.9% 5d. Emaar Properties ended the week with losses of -3.1% 5d as investors position themselves ahead of the ex-special dividend date of 23 January 2018. DP World closed at all-time high with gains of +7.0% 5d following comments from the CEO that 'global trade recovery in 2017 was better than expected and expecting continued growth in 2018'.

## Developed Markets

Developed market equities continued their positive run on the back of strong economic data and a positive start to the earnings season. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index gained +1.6% 5d, +0.3% 5d and +0.6% 5d respectively.

The earnings season in the US got off to a strong start. Nearly 5% of companies in the S&P 500 index have reported earnings. According to FactSet, 69% of those companies have reported positive earnings surprise and 85% of those companies have reported positive sales surprise. The aggregate earnings growth for Q4 2017 for the S&P 500 index is 10.2%.

## Emerging Markets

Emerging market equities underperformed the broader index with the MSCI EM index adding +0.6% compared to gains of +1.3% 5d in the MSCI World index.

The Bovespa index shrugged off a ratings downgrade by the S&P late last week to end with gains of +0.4% 5d. S&P cut Brazil's debt rating to BB-, three notches below investment grade and the outlook was changed to stable from positive. The subdued reaction can be put down to building expectations of the same after the government gave up on efforts to vote on a social security reorganization in 2017.

## 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	3,495	0.9%	102.0	8.8	1.2	3.9	41.67
ADX	4,591	0.9%	41.8	11.1	1.4	4.4	55.93
Tadawul	7,338	0.8%	791.6	13.3	1.5	3.3	53.76
ISE 100	114,645	-1.6%	1,813.7	8.4	1.2	2.7	75.76
EGX 30	15,242	3.1%	46.5	10.4	1.9	2.6	83.33
KWSE	6,561	1.6%	39.1	-	-	5.3	30.17
Bahrain	1,317	0.3%	2.3	-	-	5.9	50.00
MSM	5,087	-0.3%	3.2	9.7	1.0	5.2	50.00
Qatar Exchange	9,136	5.9%	70.8	12.5	1.5	4.2	60.00
MADEX	10,317	0.0%	10.0	18.6	3.0	3.6	77.27
TUSISE	6,301	-0.2%	1.2	18.7	-	2.2	57.78

### Developed Market Indices

Dow Jones	25,803	2.0%	7,507.3	18.5	3.9	2.1	93.33
S&P 500	2,786	1.6%	39,371.5	18.6	3.2	1.9	80.20
Nasdaq	7,261	1.7%	25,238.9	22.9	4.1	1.1	68.16
FTSE 100	7,779	0.7%	6,870.9	15.0	2.0	4.1	67.33
Dax	13,245	-0.6%	4,978.8	13.8	1.7	3.0	65.52
Cac 40	5,517	0.8%	4,462.9	15.2	1.6	3.2	77.50
Swiss	9,547	-0.1%	2,989.6	16.8	2.4	3.4	90.00
Nikkei	23,654	-0.3%	15,903.6	19.5	1.9	1.7	90.67
Australia	6,070	-0.9%	2,897.0	16.5	2.0	4.3	72.36
Stoxx 600	398	0.3%	33,787.3	15.4	1.9	3.4	73.61

### Emerging Market Indices

Hong Kong	31,413	1.9%	6,262.3	12.7	1.4	3.3	86.00
Shanghai	3,429	1.1%	37,278.7	13.4	1.5	1.8	28.50
Korea	2,496	0.0%	7,114.0	9.2	1.0	1.0	41.88
Sensex	34,592	1.3%	87.4	22.7	3.1	1.1	90.32
Nifty	10,681	1.2%	1,602.9	21.6	3.1	1.3	82.00
Karachi	42,934	1.0%	88.1	9.2	1.5	5.5	30.11
Taiwan	10,884	0.0%	4,145.7	14.0	1.8	3.7	67.84
Bovespa	79,349	0.4%	2,059.5	13.0	1.6	2.5	80.65
Micex	2,262	2.5%	650.0	6.6	0.7	4.9	71.11
Jo'burg	60,083	0.6%	1,476.5	14.7	2.0	2.7	62.11
Vietnam	1,050	3.7%	317.2	18.5	3.1	2.1	61.81
Jakarta	6,370	0.3%	458.8	16.5	2.5	2.0	42.52

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	2,185	1.3%	4.8%	3.9%	17.38	2.39	2.25
MSCI G7	1,979	1.4%	4.7%	4.0%	17.55	2.48	2.09
MSCI EM	1,208	0.6%	8.0%	4.3%	13.20	1.68	2.14
MSCI FM	669	2.6%	6.8%	4.9%	13.33	1.97	2.87
S&P Pan Arab	706	1.7%	4.8%	3.0%	8.02	1.47	3.64
DUAE INDEX	3,436	0.9%	2.6%	4.6%	10.35	1.31	3.93
DKUW INDEX	3,593	2.0%	7.7%	5.3%	-	-	-
DQAT INDEX	5,678	6.6%	13.3%	6.9%	11.67	1.56	3.35
DKUS INDEX	2,920	1.9%	7.1%	4.2%	14.88	1.80	2.34
DQAS INDEX	7,684	5.7%	15.8%	7.9%	13.77	1.75	4.69

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

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	10.1%	-18.1%	6.7%	Bahrain	-	-	63.4%
ADX	38.6%	-8.3%	20.5%	MSM	21.1%	-33.7%	41.7%
Tadawul	66.3%	2.5%	-9.1%	Qatar	55.6%	0.5%	14.9%
KWSE	-	-	45.5%	TUSISE	133.3%	-	-39.4%

### Relative to MSCI G7 Index

Dow Jones	5.2%	57.5%	2.6%	Cac 40	-13.2%	-35.9%	52.9%
S&P 500	6.2%	28.2%	-9.4%	Swiss	-4.4%	-2.0%	63.0%
Nasdaq	30.3%	67.0%	-49.7%	Nikkei	11.0%	-22.3%	-20.4%
FTSE 100	-14.7%	-20.4%	94.6%	Australia	-6.2%	-19.1%	104.7%
Dax	-21.5%	-30.3%	44.8%	Stoxx 600	-12.0%	-24.6%	64.4%

### Relative to MSCI Emerging Market Index

Hong Kong	-4.0%	-19.0%	51.8%	Jo'burg	11.4%	20.6%	27.2%
Shanghai	1.2%	-7.8%	-16.0%	Vietnam	40.3%	82.3%	-2.5%
Korea	-30.1%	-39.1%	-55.2%	Jakarta	24.7%	48.3%	-8.4%
Sensex	71.8%	87.0%	-47.9%				
Nifty	63.9%	85.0%	-41.5%				
Karachi	-30.2%	-10.2%	155.1%				
Taiwan	6.0%	8.0%	72.9%				
Bovespa	-1.3%	-2.8%	15.9%				
Micex	-49.7%	-55.8%	129.5%				

Source: Bloomberg, BEst – Bloomberg Estimate

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