



بنك الإمارات دبي الوطني  
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# Equity Weekly

## Global Equities

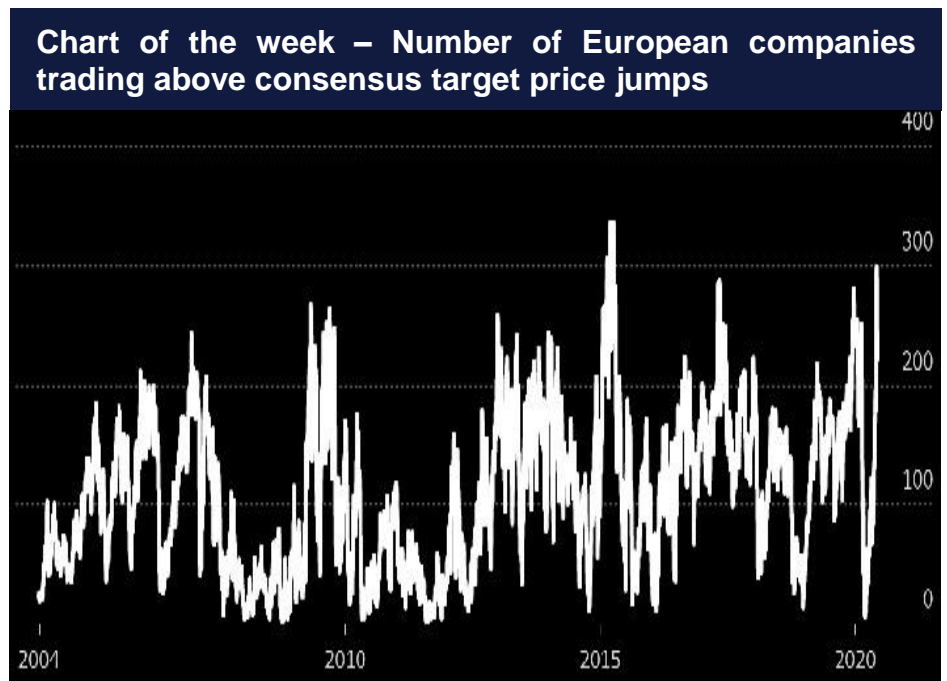
Global equities suffered a reversal last week amid indications of a second wave of coronavirus infections across countries. Further, the Federal Reserve joined other central banks in warning that the V-shaped economic recovery priced in by markets may not materialize even as they reiterated their commitment to using all tools to support the economy for as long as necessary.

Overall, the MSCI All Country World index lost -4.2% 5d on the back of weakness across major sub-indices. The MSCI G7 index and the MSCI EM index lost -4.6% 5d and -1.6% 5d respectively. Volatility jumped sharply across markets. The VIX index, the V2X index and the CBOE EM ETF Volatility index added +47.2% 5d, +48.5% 5d and +43.5% 5d respectively.

Along with coronavirus-related developments, the major focus this week will remain on central banks. The Bank of Japan, the Bank of England and the Swiss National Bank set interest rates, along with central banks in Russia, Brazil, Taiwan and Indonesia. Investors will also keep an eye on economic data and the meeting of European leaders to discuss and approve the EUR 750bn recovery fund proposed by the European Commission.

## Chart of the week

An interesting data point by Bloomberg shows that nearly half of the companies in the Euro Stoxx 600 index are trading higher than the average prices that analysts are estimating for 12 months from now. The current difference is second only to the rally in 2015 when nearly 54% of companies exceeded price targets.



Source: Bloomberg

## MENA Markets

Regional equities traded mixed as weakness in global equities weighed in the second half of the trading week. The S&P Pan Arab Composite index lost -0.6% 5d. GCC equities have been laggards among global market peers so far in 2020. The MSCI Arabian Markets index has dropped -15.3% ytd compared to a decline of -8.2% ytd in the MSCI World index and -11.5% ytd in the MSCI EM index.

There are signs of primary market activity coming back to life in the region. Amlak International for Real Estate Finance has started its IPO in Saudi Arabia and BinDawood Holding is pushing ahead with plans to sell shares in its supermarket business on the Tadawul.

## Developed Markets

Developed market equities had one of their worst weeks since late March as fears of a surge in new infections resurfaced and as the Federal Reserve remained wary of a quick pick-up in economic activity. While the Fed Chairman Jerome Powell was unequivocal in suggesting that interest rates are expected to remain low for the foreseeable future, he was less forthcoming on the pace of economic recovery. The economic growth projections released along with the statement showed that members expect the unemployment rate to fall to 9.3% at the end of 2020 and further to 6.5% in 2021. US GDP is expected to contract by 6.5% in 2020 before rebounding 5% in 2021. Inflation was forecast to remain below the central bank's target through 2022.

Notwithstanding the correction last week, the fear of missing out (FOMO) has been attributed as the reason for quick reversals in equity markets. According to data from EPFR, equity funds received USD 13.8bn, most in 9 weeks, for the week ended 10 June 2020. Among different regions, the US received USD 11.5bn while European equity funds saw the largest inflows since 2018 of USD 2.4bn.

An interesting development last week was the decision of Hertz to sell shares while in bankruptcy. The company argued that the recent rally in its stock price is a unique opportunity to raise capital on more favorable terms than the strings-attached loans. The company did say that it will warn potential investors that the company's stock might ultimately be worthless. Typically, shareholder equity is wiped out in bankruptcy proceedings. The perceived ability of Hertz to be able to possibly raise capital after declaring itself bankrupt is yet another extreme example of cashing in on what is typically known as FOMO.

## Emerging Markets

Emerging market equities closed lower but outperformed wider markets. The MSCI EM index dropped -1.6% 5d compared to a decline of -4.5% 5d in the MSCI World index. The pick-up in the USD and fall in oil prices weighed on emerging market equities. The relative resilience of Chinese equities helped the broader index with the Shanghai Composite index dropping only -0.4% 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	2,125	4.2%	102.7	9.8	0.7	4.5	29.73
ADX	4,331	0.7%	45.8	17.5	1.3	5.9	38.33
Tadawul	7,328	1.7%	1,407.2	21.9	1.9	3.5	41.97
ISE 100	109,155	-0.2%	2,161.3	9.7	0.9	2.4	85.00
EGX 30	10,934	2.9%	39.5	9.5	1.3	3.2	6.67
Kuwait Premier	-	3.1%	147.2	19.8	1.6	3.9	-
Bahrain	1,283	0.7%	1.3	-	-	5.5	25.00
MSM	3,525	0.2%	3.1	-	-	6.8	26.67
Qatar Exchange	9,186	-0.7%	56.7	16.9	1.4	4.3	40.00
MADEX	8,116	-0.8%	19.8	16.2	-	4.4	37.50
TUSISE	6,658	-0.2%	1.2	-	-	2.0	21.95

### Developed Market Indices

Dow Jones	25,128	-7.3%	15,511.3	23.0	3.6	2.5	30.00
S&P 500	3,002	-6.0%	64,916.7	24.0	3.3	2.0	36.27
Nasdaq	9,493	-3.3%	56,224.6	35.1	5.1	0.9	35.97
FTSE 100	6,077	-6.3%	5,580.7	18.6	1.4	4.0	29.29
Dax	11,970	-6.8%	5,986.4	19.9	1.4	3.0	43.33
Cac 40	4,816	-7.4%	5,792.1	21.2	1.4	3.1	22.50
Swiss	9,829	-3.6%	4,725.3	18.8	2.3	3.3	30.00
Nikkei	22,473	-1.7%	15,670.2	21.1	1.6	1.9	34.67
Australia	5,961	-0.6%	5,680.6	21.1	1.9	3.1	37.00
Stoxx 600	353	-5.9%	39,210.5	20.2	1.6	3.2	31.18

### Emerging Market Indices

Hong Kong	24,480	-1.2%	5,630.2	11.3	1.0	4.0	18.00
Shanghai	2,921	-0.3%	34,172.2	12.0	1.3	2.3	42.70
Korea	2,177	-0.2%	11,480.6	15.1	0.9	2.2	46.02
Sensex	33,538	-2.2%	146.6	19.8	2.3	1.5	26.67
Nifty	9,902	-2.4%	4,483.9	18.9	2.1	1.6	24.00
Karachi	35,129	2.3%	43.0	6.8	1.0	5.6	48.91
Taiwan	11,536	0.5%	6,286.4	17.6	1.8	4.0	50.87
Bovespa	-	0.1%	5,359.1	24.6	1.5	3.5	-
Jo'burg	53,295	-2.6%	1,561.0	14.0	1.6	3.9	27.70
Vietnam	867	-2.1%	306.6	15.0	2.1	2.1	51.40
Jakarta	4,855	-1.9%	676.1	15.7	1.8	3.2	13.83

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	2,164	-4.5%	7.8%	-8.2%	22.39	2.34	2.31
MSCI G7	1,992	-4.6%	7.5%	-7.8%	22.78	2.44	2.22
MSCI EM	987	-1.6%	9.5%	-11.5%	15.72	1.49	2.76
MSCI FM	479	0.0%	8.4%	-18.2%	13.41	1.61	4.33
S&P Pan Arab	665	0.9%	8.2%	-15.7%	17.53	1.55	4.04
DUAE INDEX	2,549	1.3%	7.0%	-20.0%	12.96	1.01	4.89
DKUW INDEX	3,955	2.0%	9.0%	-22.1%	-	-	-
DQAT INDEX	6,207	-0.9%	3.9%	-11.9%	15.20	1.75	3.99
DKUS INDEX	3,193	1.9%	8.7%	-16.8%	20.35	1.74	3.01
DQAS INDEX	7,429	0.5%	5.4%	-6.0%	17.72	1.75	4.63

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

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-44.4%	-53.7%	10.2%	Bahrain	-	-	36.2%
ADX	-0.2%	-16.4%	47.1%	MSM	-	-	69.2%
Tadawul	25.0%	23.3%	-12.5%	Qatar	-3.5%	-11.8%	7.2%
Kuwait Premier	12.7%	1.3%	-3.1%	TUSISE	-	-	-51.3%

### Relative to MSCI G7 Index

Dow Jones	1.0%	48.0%	12.7%	Cac 40	-7.1%	-42.2%	38.4%
S&P 500	5.2%	34.7%	-11.2%	Swiss	-17.6%	-6.6%	48.3%
Nasdaq	54.1%	111.3%	-58.5%	Nikkei	-7.4%	-33.8%	-12.6%
FTSE 100	-18.5%	-40.6%	80.3%	Australia	-7.2%	-24.0%	39.3%
Dax	-12.8%	-42.5%	33.0%	Stoxx 600	-11.2%	-34.0%	42.9%

### Relative to MSCI Emerging Market Index

Hong Kong	-27.9%	-36.1%	43.1%	Jo'burg	-10.8%	4.3%	40.3%
Shanghai	-23.8%	-15.5%	-15.7%	Vietnam	-4.5%	38.6%	-25.4%
Korea	-4.0%	-40.7%	-21.7%	Jakarta	-0.1%	17.7%	15.4%
Sensex	26.0%	57.0%	-46.3%				
Nifty	20.1%	44.2%	-41.9%				
Karachi	-56.6%	-35.8%	102.6%				
Taiwan	12.1%	23.3%	45.3%				
Bovespa	56.5%	-1.4%	26.6%				

Source: Bloomberg, BEst – Bloomberg Estimate

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