



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

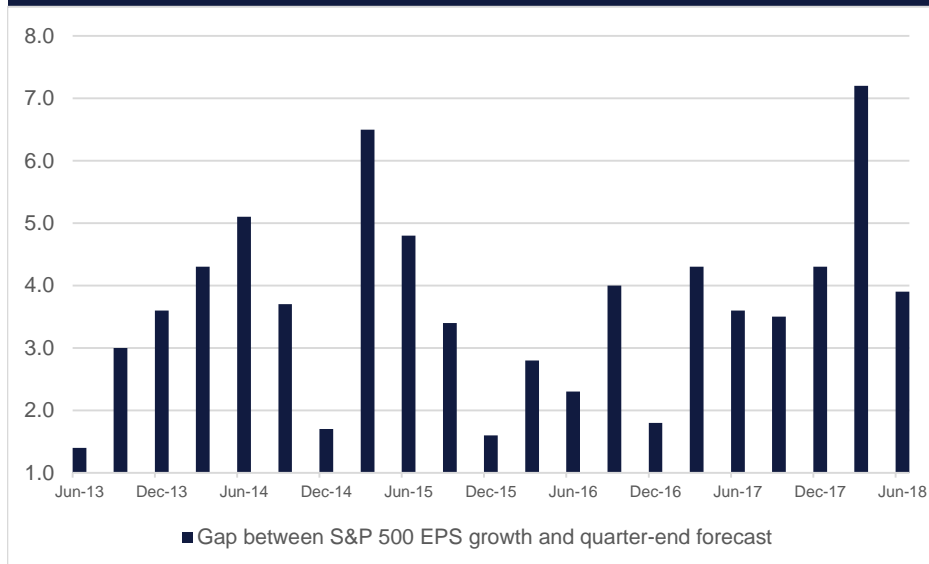
Global equities closed lower across the board amid growing concern over the impact of trade war and rising bond yields on corporate earnings and economic growth. The IMF, in its latest quarterly report, said that if the trade war persists then it could take a significant bite out of global growth with output possibly falling by as much as 0.8% in 2020 and remain 0.4% below its trend line growth over the long-term. The MSCI World index dropped -4.1% 5d with all its sub-indices closing lower. Volatility jumped across the board. The VIX index, the V2X index and the CBOE EM ETF Volatility index added +50.0% 5d, +21.2% 5d and +13.3% 5d respectively.

The focus this week will remain on the Q3 2018 earnings season and the EU summit to discuss the contours of the Brexit deal. Investors will also be looking for clues from Fed speakers about the possible impact of last week's correction on their thinking over monetary policy. Regionally, investors will keep an eye on earnings and evolving geopolitical conditions.

Chart of the week

At a time when global macro factors are weighing on equities, investors will be turning to earnings for support. It is interesting to note that companies in the S&P 500 index have a track record of beating analysts' estimates. Profit growth has come in ahead of consensus end of quarter estimates for more than five years. According to Bloomberg, the gap between actual earnings and estimates have averaged 3.7%.

Chart of the week – US earnings surprise factor



Source: Bloomberg

MENA Markets

Regional equities closed lower amid a broad sell-off in global equities and sharp decline in oil prices. The S&P 500 Pan Arab Composite index dropped -3.6% 5d while Brent oil was lower by -4.4% 5d.

The Tadawul dropped -5.8% 5d. The decline was led by stocks which had outperformed in the recent past. The Tadawul banking index which had rallied +7.0% in the past three weeks lost -5.3% with Samba, Al Rajhi Bank and NCB losing -4.6% 5d, -5.6% 5d, -6.6% 5d respectively. Petrochemical stocks were also among major losers with Sabic losing -7.6%. Almarai lost -6.4% 5d after the company reported a -4.9% y/y drop in Q3 2018 net profit to SAR 634.5mn. The company attributed the decline to weak market conditions, change in demographics and higher alfalfa cost.

UAE bourses closed lower with the DFM index and the ADX index losing -1.3% 5d and -0.8% 5d respectively. Dubai Islamic Bank dropped -1.3% 5d after the bank reported a 12% y/y increase in 9m 2018 profits to AED 3.7bn. The net financing to deposit ratio declined to 89% at the end of September 2018 compared to 91% at the end of 2017 while return on assets dropped to 2.31% from 2.34% at the end of 2017.

The EGX 30 index dropped -5.8% w-o-w to close at its lowest level since September 2017. The combination of broad pressure on emerging markets and inflation data which confirmed our view that the central bank is unlikely to cut rates further weighed on investor sentiment. Headline CPI inflation in Egypt rose to 16.0% in September, from 14.2% the previous month. This marks the fastest pace of price growth since January. The acceleration in price growth puts Egyptian inflation at the edge of the CBE's target range of 13.0% \pm 3. The Egyptian EGX 30 Banks index dropped -2.4% w-o-w.

Developed Markets

Developed market equities closed lower across the board as multitude of factors and its resultant impact on global economic growth and corporate earnings weighed on investor sentiment. These included sharp rise in treasury yields, continued concerns over trade war between the US and China and Italy initiated political conundrum in Europe. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index dropped -4.1% 5d, -4.6% 5d and -5.3% 5d respectively.

The earnings season in the US got off to a positive start. With c.6% of companies in the S&P 500 index reporting earnings, 86% of those reported a positive earnings surprise while 68% reported a positive sales surprise. According to Factset, the blended earnings growth for Q3 2018 stands at 19.1%.

Emerging Markets

Emerging market equities outperformed broader equities. The MSCI EM index dropped -2.1% 5d relative to a decline of -4.1% 5d in the MSCI World index. The outperformance can be attributed to weakness in USD and easing of bond yields from the highs. Also, it could be a case of developed markets catching up with the fall in emerging markets in the recent past. The MSCI EM index has dropped -8.9% 3m compared to -3.3% 3m in the MSCI World index.

Turkish and Brazilian stocks were notable outperformers as domestic political conditions improved. The BIST 100 index added +1.9% 5d while the Bovespa index closed flat.

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	2,755	-1.3%	38.8	7.7	1.0	6.2	16.22
ADX	4,968	-0.8%	33.2	12.3	1.6	4.9	35.59
Tadawul	7,531	-5.8%	798.2	13.3	1.6	3.9	19.21
ISE 100	96,657	-0.1%	1,401.0	7.3	1.0	4.4	24.74
EGX 30	13,283	-5.8%	32.0	10.0	2.1	2.4	10.00
Kuwait Premier	5,257	-1.1%	30.1	14.8	1.6	3.7	68.75
Bahrain	1,316	-0.7%	3.5	-	-	6.2	-
MSM	4,490	-0.8%	1.7	-	-	6.1	33.33
Qatar Exchange	9,862	-0.4%	42.9	13.2	1.6	4.5	70.00
MADEX	9,061	-0.5%	7.3	16.9	2.5	4.0	21.28
TUSISE	7,505	-1.0%	1.3	23.8	-	1.9	44.19

Developed Market Indices

Dow Jones	25,340	-4.2%	11,663.6	16.0	3.9	2.3	66.67
S&P 500	2,767	-4.1%	56,861.0	17.0	3.2	2.0	45.53
Nasdaq	7,497	-3.7%	40,879.9	22.0	4.4	1.1	33.59
FTSE 100	6,996	-4.4%	6,430.5	12.5	1.7	4.7	21.78
Dax	11,524	-4.9%	5,423.2	12.5	1.5	3.4	23.33
Cac 40	5,096	-4.9%	5,190.2	13.6	1.5	3.5	17.50
Swiss	8,660	-4.2%	3,150.0	15.2	2.2	3.7	35.00
Nikkei	22,695	-4.6%	17,259.4	16.0	1.7	2.0	43.11
Australia	5,896	-4.7%	3,837.0	14.8	1.9	4.7	45.96
Stoxx 600	359	-4.6%	35,521.9	13.7	1.7	3.9	28.07

Emerging Market Indices

Hong Kong	25,801	-2.9%	5,617.6	10.7	1.2	3.9	24.00
Shanghai	2,607	-7.6%	19,398.7	10.6	1.2	2.6	5.96
Korea	2,162	-4.7%	5,918.5	8.7	0.9	2.0	18.35
Sensex	34,734	1.0%	159.6	18.6	2.7	1.3	35.48
Nifty	10,473	1.5%	2,718.0	18.1	2.7	1.4	40.00
Karachi	37,518	-4.4%	44.9	7.8	1.2	5.8	19.32
Taiwan	10,046	-4.5%	4,359.1	12.9	1.6	4.4	20.43
Bovespa	82,921	0.7%	4,046.2	12.3	1.7	3.4	-
Jo'burg	53,473	-1.7%	1,608.7	12.6	1.6	3.9	30.63
Vietnam	970	-3.8%	199.4	16.8	3.0	2.1	40.63
Jakarta	5,756	0.4%	344.5	14.9	2.2	2.4	32.61

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	2,063	-4.1%	-4.8%	-1.9%	15.52	2.26	2.46
MSCI G7	1,891	-4.1%	-4.6%	-0.6%	15.65	2.35	2.27
MSCI EM	980	-2.1%	-4.7%	-15.4%	11.34	1.48	2.91
MSCI FM	525	-1.7%	-1.6%	-17.7%	12.32	1.34	4.26
S&P Pan Arab	713	-3.6%	-1.4%	4.0%	13.03	1.63	4.18
DUAE INDEX	3,217	-1.3%	-2.5%	-3.4%	9.67	1.27	5.69
DKUW INDEX	3,722	-1.3%	-2.3%	9.1%	-	-	-
DQAT INDEX	6,541	-0.2%	-0.1%	23.1%	13.10	2.06	3.90
DKUS INDEX	2,991	-1.6%	-3.0%	6.8%	15.33	1.71	3.46
DQAS INDEX	7,671	0.5%	0.7%	7.7%	15.22	1.77	4.46

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-41.0%	-35.7%	49.6%	Bahrain	-	-	48.8%
ADX	-5.6%	-0.3%	16.3%	MSM	-	-	45.2%
Tadawul	2.1%	-0.8%	-7.7%	Qatar	1.1%	-2.8%	6.5%
Kuwait Premier	14.0%	-3.0%	-11.3%	TUSISE	82.5%	-	-54.8%

Relative to MSCI G7 Index

Dow Jones	2.2%	64.8%	-0.1%	Cac 40	-13.2%	-36.7%	54.9%
S&P 500	8.6%	35.9%	-13.8%	Swiss	-3.2%	-5.8%	62.8%
Nasdaq	40.4%	87.1%	-52.5%	Nikkei	2.0%	-27.5%	-13.8%
FTSE 100	-20.0%	-29.6%	106.4%	Australia	-5.2%	-21.2%	108.1%
Dax	-20.2%	-35.5%	51.4%	Stoxx 600	-12.2%	-29.2%	69.4%

Relative to MSCI Emerging Market Index

Hong Kong	-5.7%	-19.7%	33.2%	Jo'burg	11.1%	10.6%	32.4%
Shanghai	-6.2%	-19.1%	-10.2%	Vietnam	48.4%	102.7%	-27.0%
Korea	-23.3%	-37.0%	-31.2%	Jakarta	31.2%	49.3%	-18.9%
Sensex	64.4%	83.0%	-54.6%				
Nifty	59.2%	80.2%	-53.6%				
Karachi	-31.5%	-17.4%	99.8%				
Taiwan	13.8%	11.2%	49.7%				
Bovespa	8.1%	15.0%	17.7%				

Source: Bloomberg, BEst – Bloomberg Estimate

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