



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

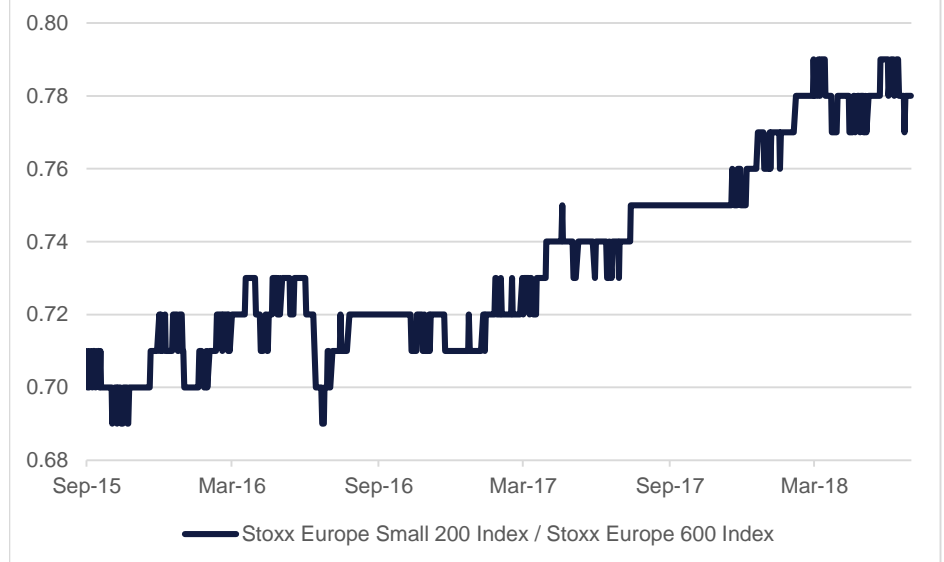
Global equities closed higher as investors shrugged off the reality of trade war and the possibility of more coming and preferred to concentrate on the Q2 2018 earnings season. The political upheaval in the UK around Brexit also made little difference as did a sharp decline in oil prices. The MSCI World index added +1.0% 5d helped by gains across its sub-indices. The MSCI EM index, the MSCI G7 index and the MSCI Arabian Markets index added +1.5% 5d, +1.1% 5d and +0.4% 5d respectively. Volatility declined across the board with the VIX index, the V2X index and the CBOE EM ETF Volatility index dropping -8.9% 5d, -13.2% 5d and -12.5% 5d respectively.

The investors' focus has shifted to the earnings season and that is likely to continue this week. So far, the earnings season has gotten off to a positive start and should that trend continue, equities are likely to continue building onto the gains of the previous week. Regional equities are also likely to be driven by corporate earnings.

Chart of the week

As the trade war becomes a reality, there is consensus view that European equities appear more vulnerable as they derive a significant percentage of revenues from exports. However, it is interesting to note that small cap stocks in Europe have outperformed the large cap stocks. One plausible reason for this is the limited impact of trade tariffs on small-cap companies.

Chart of the week – European small caps outperform large caps



Source: Bloomberg

MENA Markets

It was largely a positive week of trading for regional equities even though the region lacked a clear trend. The S&P Pan Arab Composite index added +1.4% 5d.

The Tadawul added +2.2% 5d even as the earnings season got off to a relatively mixed start. Almarai (flat w/w) reported a -2.0% y/y drop in Q2 2018 earnings to SAR 660.6mn. The reported earnings was nearly 4% lower than consensus estimates. United Electronics (+4.1% w/w) reported Q2 2018 net profit of SAR 45.6mn, missing consensus estimates by 5%. Jarir Marketing (+1.8% w/w) reported Q2 2018 net profit of SAR 162.6mn, exceeding analysts' estimates of SAR 148mn by 9.9%.

UAE bourses closed mixed with the DFM index closing flat and the ADX index adding +1.6% 5d. Emaar Properties and its related companies continue to drag the DFM index lower. Emaar Properties, Emaar Malls and Emaar Development lost -1.6% 5d, -1.4% 5d and -2.7% 5d respectively. It is interesting to note that Emaar Properties is currently trading at a 15% discount to the aggregate market capitalization (Emaar's share) of its three main listed subsidiaries i.e., Emaar Malls (85%), Emaar Development (79%) and Emaar Misr (87%). The percentages reflect Emaar Properties stake in its subsidiaries. On the valuation front, the company is trading at 5.7x 2018E earnings and 0.68x 2018E book value.

Several UAE companies also revealed the extent of their exposure to Abraaj. First Abu Dhabi Bank, Commercial Bank of Dubai and Mashreq Bank reported an exposure of USD 21.4mn, USD 166.3mn and AED 66.46mn respectively.

Developed Markets

Developed market equities closed higher as the focus shifted from trade tariffs to earnings season. It was also apparent that lack of follow through development on the trade front coupled with continued strong macroeconomic data helped risk appetite. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index added +1.5% 5d, +0.7% 5d and +3.7% 5d respectively.

The earnings season in the US got off to a positive start. With nearly 5% of S&P 500 companies having reported earnings, 89% of those have reported a positive EPS surprise and 85% of those have reported a positive sales surprise. According to FactSet, the blended earnings growth rate stands at 19.9% compared to growth estimates of 20.0% at the end of Q2 2018.

Emerging Markets

Emerging market equities outperformed broad equity market helped by risk-on mode and possible bottom fishing. The MSCI EM index added +1.5% 5d compared to a +1.0% 5d gain in the MSCI World index. The Shanghai Composite index was a notable outperformer with gains of +3.7% 5d. This was the first positive weekly close for Chinese equities since mid-May 2018. On the other hand, Turkey's BIST 100 index dropped -9.0% 5d as investors expressed concerns over the new cabinet.

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	2,884	0.1%	53.6	7.9	1.0	5.8	33.33
ADX	4,687	1.8%	24.6	11.4	1.6	5.1	39.66
Tadawul	8,362	2.3%	815.4	15.7	1.8	3.2	43.26
ISE 100	89,898	-9.3%	2,227.8	6.5	1.0	4.9	17.53
EGX 30	15,880	-1.5%	33.5	11.9	2.4	2.2	50.00
Kuwait Premier	5,344	3.2%	105.4	14.7	1.5	3.6	68.75
Bahrain	1,343	0.9%	2.5	-	-	6.1	50.00
MSM	4,441	-1.8%	2.3	-	-	5.5	40.00
Qatar Exchange	9,319	0.6%	37.0	13.2	1.5	4.7	80.00
MADEX	9,316	-0.9%	6.3	17.1	2.4	4.5	31.11
TUSISE	8,055	-0.8%	1.0	24.8	-	1.8	78.05

Developed Market Indices

Dow Jones	25,019	2.3%	6,596.0	16.2	3.8	2.3	58.06
S&P 500	2,801	1.5%	37,431.0	17.5	3.2	1.9	62.67
Nasdaq	7,826	1.8%	26,576.5	23.6	4.5	1.0	58.84
FTSE 100	7,662	0.6%	5,302.4	13.8	1.8	4.3	73.27
Dax	12,541	0.4%	3,517.4	13.1	1.6	3.2	50.00
Cac 40	5,429	1.0%	3,810.5	14.7	1.6	3.3	52.50
Swiss	8,861	1.9%	2,212.9	15.6	2.3	3.6	55.00
Nikkei	22,597	3.7%	12,857.3	16.4	1.7	1.9	35.56
Australia	6,268	-0.1%	3,190.6	16.0	2.0	4.3	69.19
Stoxx 600	385	0.7%	25,603.4	14.7	1.8	3.6	59.16

Emerging Market Indices

Hong Kong	28,525	0.7%	4,306.4	11.4	1.3	3.8	36.73
Shanghai	2,831	3.1%	21,619.4	11.3	1.3	2.3	10.77
Korea	2,311	1.7%	5,002.6	9.0	1.0	1.7	34.66
Sensex	36,542	2.5%	101.8	19.1	2.8	1.2	51.61
Nifty	11,019	2.3%	2,046.3	18.7	2.7	1.3	50.00
Karachi	40,271	0.0%	41.7	8.4	1.4	5.4	29.03
Taiwan	10,865	2.4%	4,118.9	13.9	1.8	4.1	48.82
Bovespa	76,594	2.1%	1,997.2	11.5	1.6	3.1	35.38
Jo'burg	56,364	-1.7%	1,189.3	14.0	1.8	3.2	33.54
Vietnam	910	-0.8%	98.6	15.6	2.7	2.3	19.42
Jakarta	5,944	4.4%	396.5	15.1	2.3	2.3	37.28

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	2,135	1.0%	0.0%	1.5%	16.22	2.32	2.35
MSCI G7	1,947	1.1%	0.0%	2.3%	16.31	2.41	2.17
MSCI EM	1,076	1.5%	-3.4%	-7.1%	12.04	1.57	2.62
MSCI FM	564	0.1%	-2.6%	-11.6%	11.69	1.78	3.77
S&P Pan Arab	756	1.4%	0.5%	10.2%	13.57	1.59	3.91
DUAE INDEX	3,184	1.0%	-1.7%	-2.8%	9.57	1.25	5.66
DKUW INDEX	3,842	3.3%	11.7%	12.6%	-	-	-
DQAT INDEX	5,920	1.2%	1.7%	11.4%	12.26	1.76	4.22
DKUS INDEX	3,174	4.1%	14.2%	13.3%	16.11	1.76	3.34
DQAS INDEX	7,246	0.1%	2.9%	1.7%	15.95	1.67	4.54

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-41.8%	-36.5%	49.4%	Bahrain	-	-	56.3%
ADX	-15.7%	-2.3%	30.9%	MSM	-	-	41.1%
Tadawul	15.4%	14.2%	-18.5%	Qatar	-2.7%	-6.3%	20.3%
Kuwait Premier	8.7%	-3.0%	-8.3%	TUSISE	82.4%	-	-54.9%

Relative to MSCI G7 Index

Dow Jones	-0.7%	56.5%	5.1%	Cac 40	-9.9%	-34.2%	50.3%
S&P 500	7.5%	33.3%	-11.0%	Swiss	-4.5%	-5.8%	66.9%
Nasdaq	44.6%	88.7%	-53.4%	Nikkei	0.3%	-29.2%	-11.0%
FTSE 100	-15.5%	-25.2%	95.9%	Australia	-2.0%	-16.8%	99.6%
Dax	-19.7%	-33.7%	47.5%	Stoxx 600	-9.6%	-25.9%	65.0%

Relative to MSCI Emerging Market Index

Hong Kong	-5.2%	-20.3%	44.6%	Jo'burg	16.3%	14.4%	22.8%
Shanghai	-6.3%	-14.5%	-10.9%	Vietnam	29.5%	74.5%	-10.9%
Korea	-24.9%	-37.5%	-33.9%	Jakarta	25.1%	43.7%	-12.4%
Sensex	58.3%	76.0%	-52.8%				
Nifty	54.9%	74.8%	-51.9%				
Karachi	-30.6%	-12.5%	105.9%				
Taiwan	15.4%	11.8%	54.5%				
Bovespa	-4.5%	0.9%	19.1%				

Source: Bloomberg, BEst – Bloomberg Estimate

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