



بنك الإمارات دبي الوطني
Emirates NBD

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Equity Weekly

Global Equities

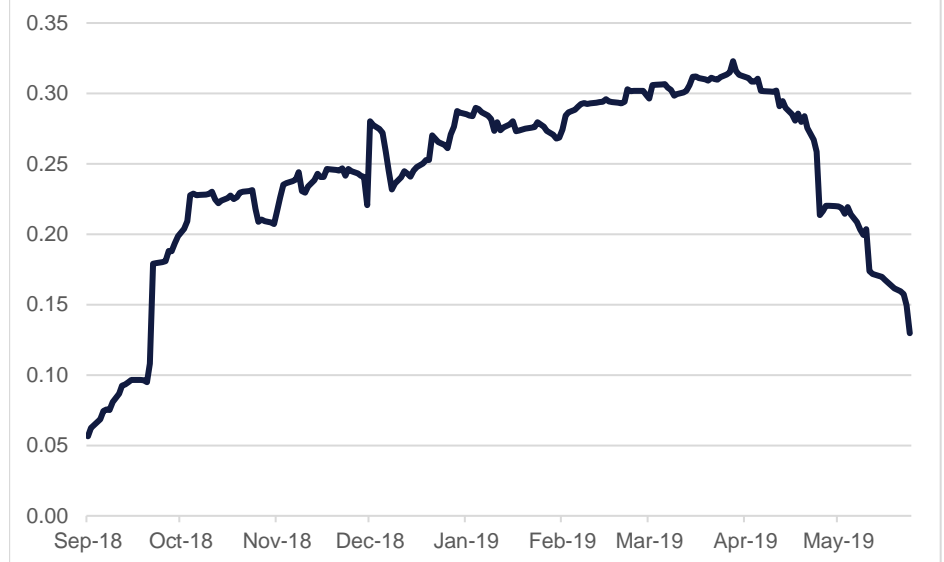
Notwithstanding growing concerns over global economic growth and rising geopolitical tensions, investors appear to be taking comfort in shift of global central banks towards easier monetary policy. The weakness in commodity prices was also shrugged off last week. Overall, the MSCI All Country index added +0.3% 5d with most sub-indices closing in positive territory. The MSCI G7 index, the MSCI EM index and the MSCI FM index added +0.3% 5d, +0.8% 5d and +0.2% 5d respectively. Volatility continues to remain surprisingly subdued. The VIX index and the V2X index dropped -6.3% 5d and -3.7% 5d respectively while CBOW EM ETF Volatility showed a minor gain of +2.3% 5d.

The focus this week will firmly remain on the US Federal Reserve meeting. With the markets actually pricing in as much as three rate cuts in 2019, the comments from the Fed Chair Jerome Powell will be minutely deconstructed. Elsewhere, developments in ongoing geopolitical tensions will also be watched for any potential escalation.

Chart of the week

The recent rally in Saudi equities has brought back the focus on the commonly focused correlation between the Tadawul and oil prices. The broader index is up c.6% since MSCI added its stocks in the EM index at the end of May 2019 while Brent prices have dropped 13% in the same period. This in turn has dragged the 120-day correlation between stock and oil prices to its lowest this year at 0.15.

Chart of the week – 120 day correlation between Brent prices and the Tadawul drops to its lowest in 2019



Source: Bloomberg, Emirates NBD Research

MENA Markets

Regional markets rallied for a third consecutive week amid continued positive aftereffects of index inclusions. Notwithstanding the rise in geopolitical tensions and weakness in oil prices, the S&P Pan Arab Composite index gained +1.8% 5d. For the record, WTI and Brent futures dropped -2.0% 5d and -2.7% 5d respectively.

The Tadawul was the outperformer with gains of +5.0% 5d. Unsurprisingly, gains were led by MSCI-related stocks as reflected in +6.0% 5d rally in the MSCI Saudi index. It must be highlighted here that the broader Saudi market will continue to see inflows over the next few months as different phases of inclusion in different emerging market indices are implemented. For example, the Phase 3 of FTSE inclusion is expected to be completed later this week. The index continues to trade at a significant premium to the wider emerging market index. The Tadawul is trading at 16.8x 12m forward earnings compared to the MSCI EM index which is trading at 12.3x 12m forward earnings.

UAE bourses closed mixed with the DFM index adding +0.5% 5d and the ADX index losing -0.8% 5d. Dubai Islamic Bank ended the week flat even as the bank confirmed that its board has recommended acquisition of Noor Bank. The deal, if completed, will create a bank with about USD 76bn in assets.

Elsewhere, the Qatar Exchange rallied +1.9% 5d to move into positive territory for the year. The start of implementation of stock split in Qatari stocks provided a boost to investor sentiment. Under the said proposal, the nominal value of all listed companies will become QAR 1. The same is expected to finish on 7 July 2019. The idea behind the proposal is to attract retail investors and increase liquidity in the market.

Developed Markets

Developed market equities closed marginally higher as optimism over easy monetary policy was offset by worries over the impact of US-China trade war. There are growing evidence that the lengthening negotiation period is starting to weigh on revenues. For example, Broadcom Inc trimmed its sales forecast for the year.

Overall, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index ended the week +0.5% 5d, +0.4% 5d and +1.1% 5d respectively.

Emerging Markets

Emerging market equities outperformed the broader market. The MSCI EM index added +0.8% 5d compared to gains of +0.2% 5d in the MSCI World index. It appears that dovishness in developed market monetary policy is providing comfort to investors to increase their emerging market exposure. The weakness in commodity prices is also helping some emerging markets.

Ironically, Chinese equities were among the best performing emerging equities even as the country remains central to the ongoing concerns over growth. Economic data released over the weekend added further credence to the view as industrial output growth slowed to the weakest pace since 2002. The Shanghai Composite index added +1.9% 5d.

Elsewhere, Russia joined countries in shifting towards easy monetary policy. The Russian central bank cut interest rates for the first time in more than a year. Further the bank added that there could be two more rate cuts in 2019. The Indonesian Finance Minister commented that it expects the country's central bank to ease monetary policy.

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	2,633	0.5%	53.3	6.4	0.9	4.7	48.65
ADX	4,964	-0.8%	45.0	12.5	1.6	5.0	36.67
Tadawul	8,942	5.0%	1,276.0	16.9	2.0	3.2	41.40
ISE 100	90,787	-3.5%	1,035.5	6.2	0.8	4.1	38.00
EGX 30	14,181	2.8%	34.5	9.8	1.8	2.7	39.29
Kuwait Premier	6,391	1.8%	132.5	11.5	1.4	3.2	81.25
Bahrain	1,449	1.0%	4.9	8.9	1.1	5.2	62.50
MSM	3,918	-0.6%	5.2	-	-	7.0	33.33
Qatar Exchange	10,516	1.9%	86.8	15.4	1.8	4.2	60.00
MADEX	8,994	-0.7%	4.0	17.0	2.1	4.0	42.86
TUSISE	7,077	0.1%	1.2	22.9	-	2.1	32.56

Developed Market Indices

Dow Jones	26,090	0.4%	6,817.1	16.2	3.7	2.4	68.97
S&P 500	2,887	0.5%	34,982.9	17.3	3.2	2.0	62.90
Nasdaq	7,797	0.7%	26,431.3	23.1	4.3	1.2	37.02
FTSE 100	7,346	0.2%	4,161.6	12.7	1.7	5.0	65.35
Dax	12,096	0.4%	3,423.7	13.1	1.5	3.4	48.28
Cac 40	5,368	0.1%	3,179.4	14.0	1.5	3.5	63.41
Swiss	9,848	1.0%	2,561.3	16.6	2.3	3.3	78.95
Nikkei	21,117	1.1%	10,278.2	15.0	1.5	2.1	24.89
Australia	6,554	1.7%	3,888.4	17.0	2.1	4.6	64.65
Stoxx 600	379	0.4%	21,342.4	14.1	1.7	3.9	60.47

Emerging Market Indices

Hong Kong	27,118	0.6%	4,372.9	10.7	1.2	3.6	52.00
Shanghai	2,882	1.9%	29,653.2	11.1	1.3	2.4	52.12
Korea	2,095	1.1%	3,928.1	12.4	0.9	2.3	48.76
Sensex	39,452	-0.4%	87.7	19.4	2.8	1.2	64.52
Nifty	11,823	-0.4%	2,230.1	18.7	2.7	1.2	60.00
Karachi	35,573	0.2%	31.3	6.8	1.1	5.9	9.89
Taiwan	10,525	1.1%	2,957.9	15.5	1.7	4.4	54.98
Bovespa	98,040	0.2%	3,297.8	12.3	1.9	2.9	78.79
Jo'burg	58,194	0.2%	1,273.9	13.3	1.8	3.9	47.50
Vietnam	954	-0.5%	100.5	16.0	2.5	1.9	48.02
Jakarta	6,250	0.7%	489.9	15.4	2.3	2.4	47.31

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	2,131	0.2%	0.7%	13.1%	15.98	2.25	2.51
MSCI G7	1,944	0.3%	0.6%	13.4%	16.05	2.33	2.35
MSCI EM	1,015	0.8%	1.9%	5.1%	12.62	1.49	2.84
MSCI FM	554	0.2%	2.4%	7.4%	10.44	1.41	4.29
S&P Pan Arab	800	3.0%	5.4%	9.8%	13.64	1.63	3.75
DUAE INDEX	3,120	-1.2%	1.5%	1.1%	9.38	1.23	5.02
DKUW INDEX	4,550	1.8%	7.3%	21.2%	-	-	-
DQAT INDEX	6,928	1.7%	7.6%	-0.8%	15.45	2.59	3.76
DKUS INDEX	3,503	1.8%	6.9%	17.2%	9.18	1.10	3.12
DQAS INDEX	7,976	2.2%	9.3%	-2.1%	16.43	2.04	4.41

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-53.3%	-42.9%	25.5%	Bahrain	-34.5%	-29.6%	38.9%
ADX	-8.2%	-2.4%	34.4%	MSM	-	-	87.5%
Tadawul	24.0%	22.3%	-13.3%	Qatar	13.1%	13.4%	11.0%
Kuwait Premier	-15.9%	-15.0%	-15.3%	TUSISE	67.6%	-	-45.2%

Relative to MSCI G7 Index

Dow Jones	0.8%	60.7%	2.7%	Cac 40	-12.7%	-34.9%	49.1%
S&P 500	8.0%	35.8%	-14.4%	Swiss	3.2%	0.8%	42.3%
Nasdaq	44.1%	86.2%	-49.7%	Nikkei	-6.5%	-35.5%	-8.8%
FTSE 100	-20.6%	-28.0%	112.2%	Australia	6.1%	-10.8%	94.7%
Dax	-18.3%	-36.3%	46.1%	Stoxx 600	-12.2%	-27.0%	64.9%

Relative to MSCI Emerging Market Index

Hong Kong	-14.9%	-21.3%	26.4%	Jo'burg	5.7%	20.4%	38.2%
Shanghai	-11.7%	-13.4%	-16.8%	Vietnam	26.8%	70.0%	-31.5%
Korea	-2.1%	-41.2%	-20.2%	Jakarta	22.2%	51.5%	-15.1%
Sensex	53.3%	86.8%	-58.3%				
Nifty	48.3%	81.2%	-56.1%				
Karachi	-46.2%	-25.8%	107.7%				
Taiwan	22.7%	11.4%	54.1%				
Bovespa	-2.8%	25.6%	3.5%				

Source: Bloomberg, BEst – Bloomberg Estimate

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