



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
16 September 2018

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Equity Weekly

Global Equities

Global equities rebounded on some signs of stability in emerging markets, lack of surprise from central banks in developed markets and hope of possible talks between the US and China on trade. Yet all the risks which manifested itself since the start of this month i.e, further tariffs on Chinese goods and volatility in emerging markets continue to remain on the horizon. The MSCI World index added +1.4% 5d on the back of +0.5% 5d gain in the MSCI EM index and +1.3% 5d rally in the MSCI G7 index. Volatility declined across the board. The VIX index, the V2X index and the CBOE EM ETF Volatility index declined -18.9% 5d, -15.6% 5d and -10.3% 5d respectively.

Notwithstanding the rebound in the previous week, the focus is likely to remain on emerging markets as investors' position themselves ahead of the Federal Reserve meeting later in the month. Recent corporate developments are likely to drive investor sentiment in regional markets ahead of the Q3 2018 earnings season.

Chart of the week

The sustained weakness in DFM has resulted in index's market capitalization dropping to levels last seen in December 2016. The market cap of DFM index at the end of last week stood at AED 280.1bn with the index losing -17.6% ytd. The major losers for the year includes Drake & Scull (-82.1%), DXB Entertainments (-43.2%) and Damac Properties (-37.6%). The DFM index is trading at 7.8x 12m forward earnings compared to MSCI EM index which is trading at 11.3x 12m forward earnings.

Chart of the week – DFM market capitalization drops to levels last seen in 2016



Source: Bloomberg

MENA Markets

Regional equity markets closed mixed amid a rebound in global equity markets and oil prices. The S&P Pan Arab Composite index dropped -0.5% 5d.

UAE bourses closed mixed with the DFM index losing -0.6% w-o-w and the ADX index adding +0.3% w-o-w. Drake & Scull ended the week with losses of -9.0% following company's announcement that the company's AGM scheduled for later this month will take a call on possibly dissolving the company. However, the company later clarified that the particular item has been put on the agenda following a legal requirement and that it is making all efforts to safeguard interests. Ahead of the meeting, Tabarak Investments raised its shareholding to 13.73% from 13.26%. Some of its shareholding is pledged with Ajman Bank as collateral. It should be noted that the company reported net loss of AED 168mn for H1 2018 to take its accumulated loss over 50% of the issued equity.

Emaar Development ended the week with losses of -5.1% as investors' pared position ahead of the dividend announcement. The company later informed that it has decided to pay AED 0.26 per share as interim dividend for 2018. At the time of the IPO in 2017, the company said it intends to distribute USD 1.7bn in dividends over the next three years.

The Tadawul dropped -1.3% 5d following sustained weakness in market heavyweights. The Tadawul Banks index lost -1.4% 5d. It has now declined for six weeks in the last seven weeks. Despite the recent weakness, the index has gained +19.1% year to date to outperform the broader index which has rallied +5.0% ytd. In other development, Aramco referred to its recent media reports on the company's deal with Sabic as 'entirely speculative' and said that it would provide updates as and when appropriate.

Developed Markets

Developed market equities rebounded from previous week's losses as the European Central Bank and Bank of England meetings threw no surprises, some stability returned to broad emerging markets and chances of possible trade talks between the US and China brightened. Gain in oil prices helped commodity stocks while a surge in treasury yields helped financials. Overall, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index added +1.2% 5d, +1.1% 5d and +3.5% respectively.

The CFTC Commitment of Traders' report for week ended 11 September 2018 showed some signs of investor angst. The speculators reduced their e-mini SPX longs by 25% to 122k contracts. The report also reflected selling in NDX longs and a little bit of short covering in VIX index.

Emerging Markets

Emerging market equities closed in positive territory even as it underperformed broader equities. The MSCI EM index added +0.5% 5d relative to a gain of +1.4% 5d gain in the MSCI World index. The sense of stability returned to broad emerging markets as central banks in Turkey and Russia tightened monetary policy to support their currencies. The Central Bank of Turkey raised interest rates to 24.0% while the Russian Central Bank raised rates to 7.50%. The quantum of increase by both central banks were more than consensus estimates. Indian government, over the weekend, too unveiled few measures to tame its current account deficit. The BIST 100-index ended the week with gains of +1.6% while the MSCI Russia index added +4.2% 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	2,809	-0.6%	72.0	7.8	1.0	6.1	-
ADX	4,966	0.3%	56.1	12.5	1.7	4.8	-
Tadawul	7,591	-1.3%	589.6	13.8	1.6	3.8	23.46
ISE 100	94,760	1.2%	1,175.4	6.9	1.0	4.6	29.90
EGX 30	15,309	-3.1%	23.2	9.8	2.0	2.4	40.00
Kuwait Premier	5,349	0.8%	40.0	14.7	1.6	3.6	68.75
Bahrain	1,345	0.4%	2.2	-	-	6.1	-
MSM	4,559	2.8%	7.5	-	-	6.0	36.67
Qatar Exchange	10,022	2.0%	48.9	13.3	1.6	4.4	75.00
MADEX	9,063	1.0%	9.3	16.6	2.6	4.6	20.83
TUSISE	7,948	-1.7%	1.6	24.9	-	1.8	69.05

Developed Market Indices

Dow Jones	26,155	0.9%	8,388.0	16.7	4.0	2.2	76.67
S&P 500	2,905	1.2%	40,720.8	18.0	3.3	1.9	66.53
Nasdaq	8,010	1.4%	30,821.7	23.9	4.7	1.0	52.90
FTSE 100	7,304	0.4%	5,028.8	13.1	1.7	4.5	52.48
Dax	12,124	1.4%	3,848.5	12.9	1.5	3.3	40.00
Cac 40	5,353	1.9%	3,673.4	14.2	1.6	3.3	37.50
Swiss	8,970	1.4%	2,231.2	15.8	2.3	3.5	55.00
Nikkei	23,095	3.5%	13,099.6	16.2	1.7	1.9	39.11
Australia	6,165	0.4%	3,138.9	15.8	1.9	4.5	59.60
Stoxx 600	378	1.1%	26,050.4	14.5	1.8	3.7	52.44

Emerging Market Indices

Hong Kong	27,286	1.2%	5,102.7	11.1	1.2	3.7	36.00
Shanghai	2,682	-0.8%	14,734.1	10.8	1.2	2.5	6.84
Korea	2,318	1.6%	5,343.3	9.2	1.0	2.0	37.25
Sensex	38,091	-0.8%	117.9	20.4	3.0	1.2	67.74
Nifty	11,515	-0.6%	2,317.5	19.9	2.9	1.2	68.00
Karachi	40,920	0.2%	35.8	8.5	1.4	5.4	33.71
Taiwan	10,868	0.2%	3,964.6	13.9	1.8	4.0	42.00
Bovespa	75,429	-1.3%	1,765.2	11.1	1.5	3.7	26.15
Jo'burg	56,582	-0.9%	1,474.3	13.4	1.7	3.4	33.95
Vietnam	991	2.3%	144.4	17.2	3.0	2.2	40.31
Jakarta	5,931	1.4%	335.6	15.3	2.3	2.3	36.12

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	2,167	1.4%	1.3%	3.0%	16.37	2.37	2.33
MSCI G7	1,983	1.3%	1.5%	4.2%	16.49	2.47	2.16
MSCI EM	1,029	0.5%	0.5%	-11.2%	11.91	1.55	2.73
MSCI FM	533	-0.9%	-3.5%	-16.4%	12.34	1.53	4.00
S&P Pan Arab	723	-0.4%	-1.5%	5.4%	12.98	1.55	4.20
DUAE INDEX	-	-0.2%	1.0%	-0.8%	9.96	1.30	5.54
DKUW INDEX	3,816	1.2%	-0.5%	11.8%	-	-	-
DQAT INDEX	6,562	1.7%	6.4%	23.5%	13.42	2.04	3.81
DKUS INDEX	3,087	0.8%	-0.7%	10.2%	15.67	1.70	3.43
DQAS INDEX	7,634	2.1%	2.5%	7.2%	14.72	1.77	4.31

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-40.2%	-33.8%	45.5%	Bahrain	-	-	45.4%
ADX	-3.6%	7.0%	15.0%	MSM	-	-	42.5%
Tadawul	6.3%	5.4%	-10.1%	Qatar	2.5%	4.6%	5.2%
Kuwait Premier	13.5%	3.5%	-14.8%	TUSISE	91.9%	-	-57.5%

Relative to MSCI G7 Index

Dow Jones	1.5%	63.5%	1.1%	Cac 40	-13.7%	-36.5%	54.5%
S&P 500	9.0%	35.8%	-13.7%	Swiss	-4.2%	-5.4%	64.2%
Nasdaq	44.7%	89.6%	-54.1%	Nikkei	-1.5%	-29.7%	-10.9%
FTSE 100	-20.3%	-29.9%	107.4%	Australia	-4.2%	-21.0%	108.3%
Dax	-21.6%	-37.5%	53.1%	Stoxx 600	-12.2%	-28.7%	69.8%

Relative to MSCI Emerging Market Index

Hong Kong	-6.5%	-20.0%	35.3%	Jo'burg	12.9%	11.4%	24.0%
Shanghai	-9.1%	-21.5%	-7.3%	Vietnam	44.5%	97.3%	-21.1%
Korea	-22.8%	-35.8%	-28.5%	Jakarta	28.8%	48.0%	-15.9%
Sensex	70.9%	91.4%	-56.0%				
Nifty	67.0%	89.4%	-54.9%				
Karachi	-28.2%	-12.6%	96.7%				
Taiwan	17.0%	15.0%	48.4%				
Bovespa	-6.7%	-3.3%	33.9%				

Source: Bloomberg, BEST – Bloomberg Estimate

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