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Equity Weekly

Global Equities

Global equities reversed momentum last week as heightened tensions between the US and China and early fears of a second wave of coronavirus infections took hold. Comments from the Fed Chairman Jerome Powell wherein he reiterated a somber assessment of the economic outlook also forced investors to move away from pricing in a quick V-shaped recovery.

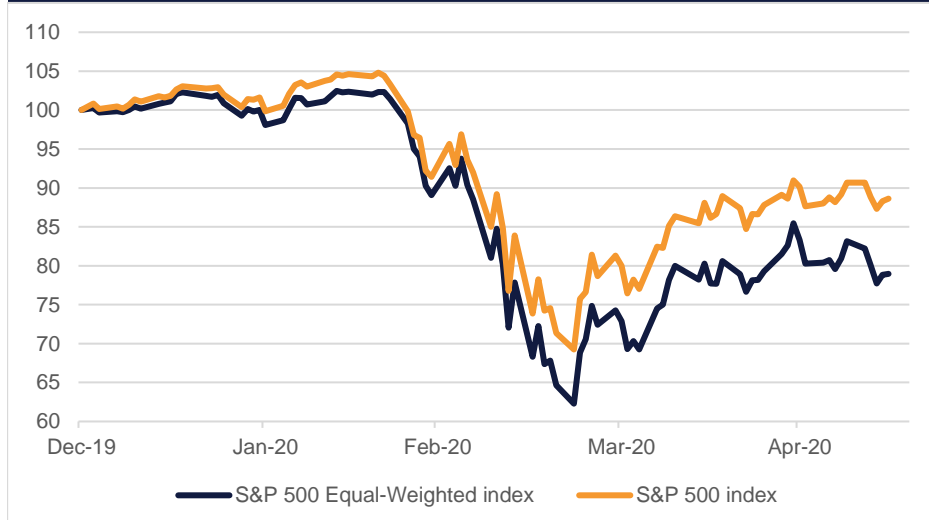
Overall, the MSCI All Country World index dropped -2.4% on the back of weakness across major sub-indices. The MSCI G7 index, the MSCI EM index and the MSCI FM index lost -2.6% 5d, -1.2% 5d and -2.5% 5d respectively. Volatility spiked across markets with the VIX index, the V2X index and CBOE EM ETF Volatility index adding +14.0% 5d, +16.2% 5d and +6.0% 5d respectively.

The major focus this week will be on the annual policy meeting of China's National People's Congress. The forum typically sees announcements of major policy changes which in light of current context gathers more importance. It is also likely that the PBOC may announce new stimulus measures ahead of the meeting. Investors will also sift through the minutes of the last Federal Reserve meeting to gather clues on the central bank's thinking on negative rates.

Chart of the week

There has been a lot of market chatter about the relative strength of equity markets despite weak economic data and dire near-term outlook. However, there is growing evidence that the strength is coming from a select few stocks. The S&P 500 equal weight index has lost -21.0% ytd compared to a decline of -11.4% ytd in the S&P 500 index. In fact, according to data from Bloomberg, the largest five technology companies have accounted for more than a quarter of the S&P 500 gains since the lows of March 23, 2020. It is worth noting here that a narrow rally is generally considered a bearish signal.

Chart of the week – The relative outperformance of equity markets driven by few stocks



Source: Bloomberg

MENA Markets

Regional markets closed largely lower on the back of weak global cues. The S&P Pan Arab Composite index closed flat for the week as strength in oil prices helped negate some of the losses.

The Tadawul added +1.3% 5d on the back of strength in market heavyweight stocks. The week was dominated by the announcement of new austerity measures and the decision to triple the VAT rate to 15%. Al Rajhi Bank added +0.8% 5d while National Commercial Bank gained +0.7% 5d. Saudi Aramco ended the week with gains of +1.3% as the company stayed true to its guidance of dividend payout of USD 75bn in 2020 despite a 25% decline in net profit in Q1 2020.

Egyptian equities also closed in positive territory following an emergency funding of USD 2.7bn from the IMF. The country has also sought an additional USD 9bn which will be decided by the IMF in June. The Central Bank of Egypt kept rates on hold for a second consecutive meeting as it seeks to avoid foreign capital outflows. The EGX 30 ended the week with gains of +1.1%.

Developed Markets

Developed market equities closed lower as central banks remained steadfast in reiterating the medium term damage to the global economy from the pandemic. In fact, the Federal Reserve in its financial stability report said that stock and other asset prices could suffer significant declines should the coronavirus pandemic deepens. This came following comments from the Fed Chairman Jerome Powell that more needed to be done to prevent last damage to the economy. He also hinted that fiscal policy should be the primary tool hereon.

Overall, the S&P 500 index, the Nikkei index and the Euro Stoxx 600 index lost -2.3% 5d, -0.7% 5d and -3.8% 5d respectively. Despite the losses last week, the Nasdaq index remained in positive territory for the year.

As the earnings season in the US comes to an end, some interesting trends can be noted. With nearly 90% of companies in the S&P 500 index having reported earnings, 65% of companies reported profits above estimates. Interestingly, according to FactSet, companies in the S&P 500 index that have reported negative surprises have seen a decrease in share prices of 1.1% on average from two days before the company reported actual results through two days after the results. This is lower than the average of 2.8% decline for companies missing estimates over the last five years.

Emerging Markets

Emerging market equities closed lower but outperformed the broader index. The MSCI EM index lost -1.2% 5d compared to a drop of -2.6% 5d in the MSCI World index. The MSCI BRIC index lost -0.9% 5d.

Turkey's Istanbul 100 index was a notable outperformer with gains of +2.0% 5d. The appreciation of TRY below 7.0 helped alleviate some of the concerns of last week. India's Nifty index dropped -1.2% 5d as the government's fiscal stimulus of USD 265bn lacked actual cash spending and relied more on guarantees and structural reforms.

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	1,894	-1.5%	51.8	7.9	0.6	5.1	24.32
ADX	4,067	0.1%	32.6	14.2	1.2	6.3	38.33
Tadawul	6,717	1.3%	1,049.6	19.5	1.8	3.7	21.76
ISE 100	99,768	1.4%	1,773.3	7.6	0.8	2.8	70.00
EGX 30	10,287	1.1%	39.9	8.6	1.4	3.4	3.33
Kuwait Premier	5,025	-3.9%	56.8	17.3	1.4	4.5	5.56
Bahrain	1,241	-3.1%	0.9	-	-	5.7	-
MSM	3,422	-1.8%	1.7	8.1	-	7.0	23.33
Qatar Exchange	8,735	-0.7%	72.6	14.2	1.4	4.6	25.00
MADEX	7,632	-2.1%	8.1	14.7	-	4.6	14.29
TUSISE	6,483	2.6%	0.8	37.2	-	2.3	19.51

Developed Market Indices

Dow Jones	23,685	-2.7%	13,403.7	21.6	3.4	2.7	30.00
S&P 500	2,864	-2.3%	55,666.2	22.8	3.1	2.1	26.20
Nasdaq	9,015	-1.2%	45,881.2	32.7	4.9	1.0	28.57
FTSE 100	5,800	-2.3%	4,563.4	16.7	1.4	4.5	23.23
Dax	10,465	-4.0%	4,331.6	17.2	1.2	3.5	13.33
Cac 40	4,278	-6.0%	3,125.1	18.0	1.2	3.6	10.00
Swiss	9,483	-1.9%	3,737.3	17.6	2.2	3.5	25.00
Nikkei	20,037	-0.7%	11,518.1	17.9	1.4	2.2	16.44
Australia	5,405	0.3%	3,426.2	18.5	1.7	3.5	18.50
Stoxx 600	328	-3.8%	27,487.1	18.1	1.5	3.6	22.52

Emerging Market Indices

Hong Kong	23,797	-1.8%	4,599.2	11.0	1.0	3.9	16.00
Shanghai	2,868	-0.9%	31,557.7	11.7	1.2	2.3	36.17
Korea	1,927	-1.0%	7,236.7	13.5	0.8	2.4	34.64
Sensex	31,098	-1.7%	167.5	16.6	2.1	1.6	13.33
Nifty	9,137	-1.2%	4,254.0	16.0	2.0	1.8	14.00
Karachi	34,008	2.2%	32.2	6.6	1.0	5.9	48.35
Taiwan	10,815	-0.8%	5,443.2	16.5	1.7	4.2	35.01
Bovespa	77,557	-3.4%	3,405.2	16.3	1.2	4.3	13.51
Jo'burg	49,629	-2.7%	1,115.6	11.8	0.8	4.2	14.09
Vietnam	827	1.6%	205.6	13.3	2.0	2.2	32.28
Jakarta	4,508	-2.0%	364.8	12.5	1.5	3.6	10.12

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	2,008	-2.6%	-0.5%	-14.8%	20.46	2.13	2.58
MSCI G7	1,853	-2.6%	-0.3%	-14.3%	20.82	2.22	2.48
MSCI EM	901	-1.2%	0.0%	-19.2%	13.87	1.27	3.05
MSCI FM	442	-2.5%	0.8%	-24.5%	11.83	1.50	5.01
S&P Pan Arab	613	0.0%	-1.6%	-22.3%	15.12	1.44	4.51
DUAE INDEX	2,349	-0.4%	0.0%	-26.2%	10.78	0.92	5.37
DKUW INDEX	3,557	-4.0%	-1.9%	-29.9%	-	-	-
DQAT INDEX	5,898	0.0%	-3.8%	-16.3%	13.98	1.66	4.21
DKUS INDEX	2,896	-3.7%	1.6%	-24.6%	18.01	1.59	3.51
DQAS INDEX	7,025	-0.2%	-2.7%	-11.1%	16.05	1.67	4.92

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-47.5%	-55.0%	13.9%	Bahrain	-	-	26.0%
ADX	-5.8%	-17.6%	39.6%	MSM	-46.1%	-	55.9%
Tadawul	29.2%	23.0%	-17.0%	Qatar	-5.9%	-4.9%	1.5%
Kuwait Premier	14.2%	-0.9%	0.7%	TUSISE	145.9%	-	-49.8%

Relative to MSCI G7 Index

Dow Jones	3.7%	54.3%	7.1%	Cac 40	-13.7%	-44.9%	46.6%
S&P 500	9.3%	40.2%	-16.2%	Swiss	-15.3%	-2.6%	41.0%
Nasdaq	56.8%	119.8%	-58.1%	Nikkei	-13.9%	-36.2%	-9.8%
FTSE 100	-19.6%	-39.2%	80.0%	Australia	-11.2%	-25.3%	42.2%
Dax	-17.2%	-45.0%	39.8%	Stoxx 600	-13.1%	-33.9%	43.8%

Relative to MSCI Emerging Market Index

Hong Kong	-20.8%	-24.9%	28.8%	Jo'burg	-15.0%	-39.9%	38.8%
Shanghai	-15.5%	-2.8%	-24.3%	Vietnam	-4.4%	56.4%	-27.1%
Korea	-2.3%	-37.5%	-21.2%	Jakarta	-9.8%	18.2%	18.1%
Sensex	19.9%	67.3%	-46.5%				
Nifty	15.5%	54.8%	-42.5%				
Karachi	-52.1%	-23.9%	94.3%				
Taiwan	19.1%	34.6%	38.9%				
Bovespa	17.2%	-8.9%	41.8%				

Source: Bloomberg, BEst – Bloomberg Estimate

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